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May 8, 2018

Kaslo Senior Citizens Association – Branch #81  
c/o Andy Shadrack  
Box 484  
Kaslo, British Columbia  
VOG 1M0

Attention: Mr. Andy Shadrack

Dear Mr. Shadrack:

**Re: FortisBC Inc. (FBC)**  
**Project No. 1598939**  
**2017 Cost of Service Analysis and Rate Design Application (the Application)**  
**Response to the Kaslo Senior Citizens Association – Branch #81 (KSCA)**  
**Information Request (IR) No. 1**

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On December 22, 2017, FBC filed the Application referenced above. In accordance with British Columbia Utilities Commission Exhibit A-6 amending the Regulatory Timetable for the review of the Application, FBC respectfully submits the attached response to KSCA IR No. 1.

If further information is required, please contact Corey Sinclair at (250) 469-8038.

Sincerely,

**FORTISBC INC.**

***Original signed:***

Diane Roy

Attachment

cc (email only): Commission Secretary  
Registered Parties

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1   **1.    Cost Of Service Analysis (COSA)**

2    COSA should not only ensure that the company covers its cost of serving the  
3    ratepayers, but it should equally ensure that costs are appropriately allocated to the right  
4    class of customer, and, where appropriate, that costs are allocated to the company only  
5    and not the ratepayers at all.

6    Section 59 of the *Utilities Commission Act* states:

7    **59 (1) A public utility must not make, demand or receive**

8    **(a) an unjust, unreasonable, unduly discriminatory or unduly preferential rate for a**  
9    **service provided by it in British Columbia, or**

10   **(b) a rate that otherwise contravenes this Act, the regulations, orders of the commission**  
11   **or any other law.**

12    **(2) A public utility must not**

13    **(a) as to rate or service, subject any person or locality, or a particular description of**  
14    **traffic, to an undue prejudice or disadvantage, or**

15    **(b) extend to any person a form of agreement, a rule or a facility or privilege, unless the**  
16    **agreement, rule, facility or privilege is regularly and uniformly extended to all persons**  
17    **under substantially similar circumstances and conditions for service of the same**  
18    **description.**

19    **(3) The commission may, by regulation, declare the circumstances and conditions that**  
20    **are substantially similar for the purpose of subsection (2) (b).**

21    **(4) It is a question of fact, of which the commission is the sole judge,**

22    **(a) whether a rate is unjust or unreasonable,**

23    **(b) whether, in any case, there is undue discrimination, preference, prejudice or**  
24    **disadvantage in respect of a rate or service, or**

25    **(c) whether a service is offered or provided under substantially similar circumstances**  
26    **and conditions.**

27    **(5) In this section, a rate is "unjust" or "unreasonable" if the rate is**

28    **(a) more than a fair and reasonable charge for service of the nature and quality provided**  
29    **by the utility.**



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1 (b) insufficient to yield a fair and reasonable compensation for the service provided by  
2 the utility, or a fair and reasonable return on the appraised value of its property, or

3 (c) unjust and unreasonable for any other reason.

4 As seniors we note that EES Consulting, in their December 22, 2017 Electric Cost of  
5 Service Study, determine that: [r]"esidential customers make up 86 percent of the  
6 number of customers and over 41 per cent of energy sales"(p2). Yet at page 4, of its  
7 report, it is given in evidence that the residential class is allocated 52.1% of FortisBC's  
8 proposed "revenue requirement", while only paying 51.3% of projected revenues in  
9 2017.

10 1.1 Can FortisBC please explain why, under the proposed COSA, if residential  
11 customers paid 51.3% of revenues in 2017, FortisBC and EES are allocating a  
12 further .8% more to the residential class "revenue requirement" than they paid in  
13 2017?

14  
15 **Response:**

16 The Company consulted with EES to provide the following response.

17 The COSA process to allocate revenue requirements to the residential class is not based at all  
18 on the revenues paid by the class. Costs are allocated based on cost causation principles.  
19 Those allocated costs are then compared to the revenues collected by the class to determine  
20 whether or not they are paying their fair share of costs, with the revenue to cost ratios the  
21 measurement. The fact that the allocated revenue requirements are less than the revenues  
22 collected for the year indicates that a class is currently not paying their fair share of costs. This  
23 is of course subject to the appropriate range of reasonableness for the revenue to cost ratios.

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27 **1.2 Rejection Of Minimum System Methodology For COSA**

28 At page 25 EES states:

29 *"Because the residential class tends to have a higher share of the number of*  
30 *customers as compared to the share of non-coincident peak, the minimum*  
31 *system methodology tends to allocate more costs to the residential class and*  
32 *customer charges tend to be higher than with the 100% demand methodology".*

33 Given that EES collected real time data from FortisBC for compilation of the  
34 proposed residential TOU rates, can FortisBC and their consultant please explain

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1 why they continue to use a theoretical methodology, such as Minimum System,  
2 for assigning cost of service to each class when real time data is now available  
3 for all classes through the Advanced Metering Infrastructure (AMI) data collection  
4 system?

5  
6 **Response:**

7 The Company consulted with EES to provide the following response.

8 There is no conflict between the availability of AMI data and the use of the minimum system  
9 approach to allocate costs.

10 AMI data provides load information for residential customers but does not provide any  
11 information related to costs. A methodology is still required in order to allocate the various cost  
12 items across the customer classes using various methods. (The minimum system approach is  
13 such a method that is routinely used in cost allocation studies whether or not AMI data is  
14 available.) The AMI data is useful in providing the non-coincident and coincident peak loads by  
15 customer class, allowing for more precise allocations to each customer class than in the past.

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20 1.2.1 Further it is noted that as early as 1982 the Washington Utilities and  
21 Transportation Commission, with support from Bonbright, rejected use  
22 of the Minimum System methodology when it stated:

23 *“The Commission rejects the company’s use of the zero-intercept*  
24 *method. The minimum system method, of which the zero-intercept*  
25 *method is a variant, is also rejected. Both methods are likely to lead to*  
26 *the double allocation of costs to residential customers and over*  
27 *allocation of costs to low use customers” (Cause U-82-10, Second.*  
28 *Supp. Order, 1982, p 37).*

29 This rejection was repeated again by the Commission in 1989 when it  
30 stated:

31 *“In this case, the only directive the Commission will give regarding*  
32 *future cost of service studies is to repeat its rejection of the inclusion of*  
33 *the costs of a minimum-sized distribution system among customer-*  
34 *related costs. As the Commission stated in previous orders, the*  
35 *minimum system method is likely to lead to the double allocation of*

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1 costs to residential customers and over-allocation of costs to low-use  
2 customers. *Costs such as meter reading, billing, the cost of meters and*  
3 *service drops, are properly attributable to the marginal cost of serving a*  
4 *single customer. The cost of a minimum sized system is not. The*  
5 *parties should not use the minimum system approach in future studies”*  
6 *(Cause U-89-2688-T, Third Supp. Order, 1989, p 71).*

7 This rejection was reiterated even more strongly by the Commission in  
8 1992:

9 *“We agree with Commission Staff that proponents of the Minimum*  
10 *System approach have once again failed to answer criticisms that have*  
11 *led us to reject this approach in the past. We direct the parties not to*  
12 *propose the Minimum System approach in the future unless*  
13 *technological changes in the utility industry emerge, justifying revised*  
14 *proposals” (Docket No. UE-920499, Ninth Supp. Order on Rate Design,*  
15 *1992, p 11).*

16 Given this decade long rejection by the Washington Utilities and  
17 Transportation Commission, has this Commission ever changed their  
18 mind on the efficacy of using the Minimum System methodology, and if  
19 so why?  
20

21 **Response:**

22 The Company consulted with EES to provide the following response.

23 While the WUTC has rejected the use of the minimum system methodology, numerous other  
24 utilities commissions have approved the methodology. Prior decisions by the British Columbia  
25 Utilities Commission have approved use of the minimum system methodology for FBC.  
26 FBC/EES do not know whether the commissioners now on the WUTC do or do not agree with  
27 the views quoted above from earlier commissioners. FBC/EES are not aware of new WUTC  
28 decisions on the issue.

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32 **Use Of Real Time Data Instead**

33 1.2.2 At page 18, under “Major Assumptions of the Cost of Service Analysis”,  
34 for example, EES states:

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1                                    *“Monthly power supply costs were classified as demand and energy on*  
2                                    *the basis of wholesale Rate 3808 from BC Hydro and allocated on a*  
3                                    *monthly basis to various customer classes”.*

4                                    Please explain how power supply allocation of costs would differ for  
5                                    each class if actual real time cost of production and purchase of power  
6                                    and consumption are used instead.

7  
8    **Response:**

9    The Company consulted with EES to provide the following response.

10 FBC understands this question to be asking for an explanation of how the allocation of power  
11 supply costs to each customer class would differ if the costs of production were considered on  
12 an hourly basis. The phrase “...purchase of power and consumption..” does not itself track in  
13 this context.

14 In order to allocate costs according to real time production costs FBC would need to have  
15 detailed cost information for each hour. FBC does not track costs on that basis. Developing  
16 costs on an hourly basis would require a great deal of judgment as to how to assign various  
17 costs to specific hours. It would require a determination about how to assign the fixed costs  
18 associated with power supply, the annual costs for contractual resources that provide different  
19 amounts of power during different periods, and the demand charges that are incurred based on  
20 a monthly peak demand.

21 FBC and EES believe that using real time production costs for allocating power supply would  
22 lead to even greater uncertainty in the COSA (which already inherently includes an element of  
23 uncertainty as described in the Application), if it could be done at all. How it would impact each  
24 class would depend upon the assumptions used to assign the various costs across the different  
25 hours.

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29                                    1.2.3    Please create a table that provides plus or minus dollar (\$) differences  
30                                    between the Minimum System and real time data for each class.

31  
32    **Response:**

33    The Company consulted with EES to provide the following response.

34    As explained in the response to KSCA IR 1.1.2, the minimum system approach to allocating  
35    costs and the availability of AMI data are complementary, but the hourly load data is not a



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1 substitute or alternate for the minimum system method. For this reason, the comparison  
2 requested cannot be completed.

3 For clarity, further to the response to KSCA IR 1.1.2, the minimum system approach is a method  
4 of allocating costs to the customer classes, while AMI data provides information on the loads  
5 associated with each class where they are installed. They do not serve the same purpose.

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9 1.2.4 EES continues on page 18 by stating:

10 *“Distribution plant was classified based on a “minimum system”*  
11 *approach. A peak load carrying capability (PLCC) credit was applied to*  
12 *correct the inherent double-counting of demand with standard minimum*  
13 *system study”.*

14 Please reformulate this statement in lay terms that can be easily  
15 understood by the average residential customer.

16

17 **Response:**

18 The Company consulted with EES to provide the following response.

19 A COSA study inherently involves some complex concepts and terminology. In the event the  
20 wording quoted was unclear in the more general context in which used, we unpack it further  
21 below.

22 The minimum system study splits equipment costs between customer-related costs and  
23 demand-related costs. The minimum size is intended to reflect the cost of equipment needed  
24 only as a result of customers being connected to the system. The costs above the minimum  
25 size are intended to reflect the additional costs that result from customers that have demand  
26 above what a minimum system could deliver.

27 However, the minimum size equipment has the ability to carry at least some amount of load to  
28 customers. Because it can carry that load, the minimum size equipment is not there just  
29 because there is a customer connected to the equipment. It also provides a portion of the  
30 demand required by each customer.

31 The PLCC reflects the portion of the demand that is already accounted for in the minimum size  
32 portion that is allocated on the basis of customers being connected. That portion is therefore  
33 subtracted out of the demand allocation so the customers are not allocated costs related to the



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1 PLCC demand both in the customer-related portion of the allocation and in the demand-related  
2 portion of the allocation.

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6 1.2.4.1 Is this an attempt to address the critique of Minimum System  
7 methodology by Utility Commissions?

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9 **Response:**

10 The Company consulted with EES to provide the following response.

11 This adjustment was intended to avoid the issue of double counting as discussed in the  
12 response to KSCA IR 1.1.2.4, which is one of the issues brought up in the quotes provided  
13 above related to past WUTC decisions. The priority is arriving at a sound and appropriate  
14 COSA. The steps taken to achieve that also have the effect of countering the critique, but the  
15 characterization in KSCA IR 1.1.2.4.1 is not one that FBC would adopt.

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19 1.2.5 Please explain what happens to allocation of distribution plant costs if  
20 each class is allocated these costs in terms of both time and portion of  
21 the distribution system used in real time consumption of power.

22

23 **Response:**

24 Please refer to the response to KSCA IR 1.1.2.3.

25

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28 1.2.5.1 Please create a table that provides plus or minus dollar (\$) differences between the Minimum System methodology and  
29 that described above, for each class.  
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32 **Response:**

33 Please refer to the response to KSCA IR 1.1.2.3.



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1.3 Using Minimum System and real time consumption of power supply data, in accordance with the list of customer classes found on page 3 (that were presumably used for the EES COSA analysis), please create a table that shows, in the first column, the percentage of (produced and purchased) consumed energy utilized by each class. Then state, in subsequent columns, the percentage of various costs that are allocated to each class, so that it is clear how the residential class, with slightly more than 41% of energy sales, ends up being allocated 52.1% of the revenue requirement under the Minimum System methodology.

**Response:**

The Company consulted with EES to provide the following response.

The following table shows the data for the COSA results as filed. Real time consumption data was used to develop the peak demands by class used to allocate demand-related costs; however, as discussed in the responses to KSCA IRs 1.1.2.2 and 1.1.2.3, FBC has not used hourly cost data to allocate power supply costs.

Note that while the residential class consumes 41.2 percent of total energy, residential customers are 86.4 percent of total customers and 50.9 percent of the system peak demand. Because the COSA allocates some costs on energy use, some costs on the number of customers, and some costs on the peak demand, it is expected that the allocated revenue requirements would be higher than the percent of energy use and lower than the percent of customers.

	Allocated Revenue Requirements	Number of Customers	Annual Energy (MWh)	Coincident Peak Demand (MW)	% Allocated Rev. Req.	% Number of Customers	% Annual Energy	% Coincident Peak Demand
Total	\$360,678,900	133,853	3,282,317	711	100.0%	100.0%	100.0%	100.0%
Residential	\$188,215,388	115,595	1,353,778	362	52.2%	86.4%	41.2%	50.9%
Small Commercial 20	\$33,555,412	13,956	304,323	59	9.3%	10.4%	9.3%	8.4%
Commercial 21/22	\$50,592,085	1,561	575,109	95	14.0%	1.2%	17.5%	13.4%
Large Comm Primary 30/32	\$24,783,364	46	311,099	46	6.9%	0.0%	9.5%	6.4%
Large Comm Transmission 31	\$6,627,451	4	95,976	15	1.8%	0.0%	2.9%	2.1%



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	Allocated Revenue Requirements	Number of Customers	Annual Energy (MWh)	Coincident Peak Demand (MW)	% Allocated Rev. Req.	% Number of Customers	% Annual Energy	% Coincident Peak Demand
Lighting	\$3,116,434	1,590	14,442	2	0.9%	1.2%	0.4%	0.2%
Irrigation	\$3,396,465	1,095	40,288	1	0.9%	0.8%	1.2%	0.1%
Wholesale Primary 40	\$44,238,404	5	505,881	104	12.3%	0.0%	15.4%	14.6%
Wholesale Transmission 41	\$6,153,896	1	81,420	28	1.7%	0.0%	2.5%	3.9%

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**Consumption Changes And Cost Of Producing Power**

1.4 Based on the statement made at page 9, that average energy consumption increased by .7% per year since 2009, and the number of customers by 2.3% per year, create a table that shows the average percentage change in customers in each class by year, and the average change in energy consumption by customer class – including Princeton and Kelowna as a part of the “theoretical” residential customer class since 2009.

**Response:**

The tables requested are below. Princeton has been incorporated into the FBC billing system since 2007, so no additional assumptions regarding Princeton were required to carry out this analysis.

The City of Kelowna (CoK) wholesale energy sales have for the purpose of this analysis been incorporated into the residential class for the years 2009 to 2013 as requested above. However, these energy sales figures include not only residential customers but also industrial and commercial customers, which makes direct comparisons difficult. FBC cannot provide a breakdown of the wholesale energy sales data since the information was not provided from the third party contractor who performed the billing for CoK.

CoK historically provided customer count information to FBC so these numbers can be and are reflected in the tables for 2009 to 2016.

Please note that the 2.3 percent average increase in customers since 2009 in the preamble includes the CoK customers starting in 2013. The inclusion of former CoK customers in 2009 results in a significant increase to the customer count, increasing the overall average for the period from what it would have been without the CoK inclusion and reducing the annual percentage changes in customer counts.

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1 **Percent Change in Normalized Energy Sales by Class from 2009 to 2016**

Year	Residential	Commercial	Wholesale	Industrial	Lighting	Irrigation	Total
2009	3.8%	2.2%	-2.4%	-1.0%	-0.8%	5.9%	1.9%
2010	-0.3%	-2.3%	-0.8%	8.3%	8.9%	-17.5%	-0.5%
2011	1.4%	-0.4%	-0.1%	15.9%	-8.6%	-0.1%	1.8%
2012	-1.2%	3.6%	-2.2%	7.4%	1.9%	-5.8%	0.3%
2013	-7.5%	19.6%	3.2%	21.2%	-0.1%	4.4%	3.1%
2014	-10.1%	6.3%	-3.1%	8.1%	16.0%	0.8%	-2.5%
2015	0.1%	-1.5%	2.4%	-0.3%	1.6%	14.9%	0.2%
2016	-0.2%	5.7%	-1.0%	-1.7%	0.2%	-8.6%	0.9%

2  
3 **Percent Change in Customer Count by Class from 2009 to 2016**

Year	Residential	Commercial	Wholesale	Industrial	Lighting	Irrigation	Total Direct
2009	1.4%	0.9%	0.0%	-6.3%	-1.9%	1.7%	1.3%
2010	1.2%	0.8%	0.0%	4.4%	-2.3%	0.8%	1.1%
2011	1.0%	1.0%	0.0%	2.1%	-1.5%	1.6%	1.0%
2012	0.4%	2.2%	0.0%	6.3%	-3.5%	-0.1%	0.5%
2013	-0.4%	3.7%	0.0%	-7.8%	-5.5%	0.5%	0.0%
2014	1.4%	5.1%	0.0%	4.3%	-1.5%	0.5%	1.8%
2015	0.6%	4.3%	0.0%	2.0%	-1.9%	-0.7%	1.0%
2016	1.4%	0.6%	0.0%	0.0%	-1.9%	-0.5%	1.3%

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8 1.5 At page 29 EES states that in 2017 the cost for purchase of energy under BC  
 9 Hydro's RS 3808 rate was 4.699 cents per kWh from January through March  
 10 2017, and 4.863 cents per kWh for the remaining months of 2017. In Table 7, on  
 11 the same page, BCH RS 3808 purchases are classified as having 176 MW  
 12 capacity, an 86 MWA Average Energy, costing \$49 million – roughly 32.2% of all  
 13 energy purchase and production costs.

14 FortisBC's own production from four Kootenay River Plants had a 208 MW  
 15 capacity, 182 MWA Average Energy, and a cost of \$16 million – roughly 10.5% of  
 16 all energy purchase and production costs.

17 1.5.1 In comparison to the prices paid for BCH RS 3808 per kWh, what was  
 18 the price per kWh for FortisBC's Kootenay River Plants production,  
 19 purchase of power per kWh from the Brilliant Hydro Agreement, and the  
 20 average price per kWh for Net Market Purchases?  
 21

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1 **Response:**

2 Table 1 below shows the average cost of energy from the Kootenay River Plants, BC Hydro RS  
 3 3808, Brilliant agreements and market purchases, based on the forecast of 2017 expense  
 4 included in the COSA.

5 **Table 1**

	Total Cost (\$000)	GWh	Avg \$/kWh
BCH 3808 Purchases	48,968	750	0.06532
Kootenay River Plants	35,733	1,593	0.02243
Brilliant Agreements	42,654	996	0.04283
Market Block Purchases	8,060	217	0.03713

6  
 7 The \$16 million shown in Table 7 of the EES COSA Report is the operating and maintenance  
 8 expense of the Kootenay River Plants only, whereas the \$35.7 million shown in the table above  
 9 represents all the costs of the Kootenay River Plants, including depreciation, return on equity,  
 10 debt interest and taxes.

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14 **Waneta Expansion Limited Partnership**

15 1.5.2 Why was paying \$38.3 million, roughly 25.2% of all energy purchase  
 16 and production costs, to the Waneta Expansion Limited Partnership  
 17 (WELP) for 87 MW of capacity, with no Average Energy MWa purchase,  
 18 in the financial interests of the customers in the various classes?  
 19

20 **Response:**

21 The Waneta Expansion Limited Partnership, its costs and the approval of the recovery of those  
 22 costs have been addressed in other proceedings, specifically through Orders E-29-10 and E-15-  
 23 12 and through Annual Review proceedings since 2015.

24 As such, the 1.5.2 series of questions falls into the category of, "...interrogatories or requests for  
 25 information of this nature that are not directly related to either the COSA or FBC's Rate Design  
 26 Application", that the Commission indicated in Appendix B to Order G-62-18 should be avoided  
 27 in the Decision attached to Order G-62-18 in this process. FBC has not provided a response  
 28 except for those questions noted below where the requested information is easily provided.

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1.5.2.1 Please state if this purchase agreement benefited some customer classes more than others, and if so explain why.

**Response:**

Please refer to the response to KSCA IR 1.5.2.

1.5.2.2 Please demonstrate how this purchase agreement keeps customer rates down, especially the rates of residential customers, rather than simply earning FortisBC, its parent company Fortis Inc, and shareholders an annual rate of return on capital investment (“Regulated Canadian & Caribbean [Electric & Gas](2) 47%”, in “2018-2022 Capital Forecast by Segment”, 2017 Fourth Quarter, Earnings Conference Call, February 15, 2018, note 2, p 25).

**Response:**

Please refer to the response to KSCA IR 1.5.2.

1.5.2.3 Attached please find Exhibits 1 and 2, FortisBC Inc Consolidated Financial Statements for the years ended 2015, 2016 and 2017. With specific reference to Power Purchase Costs on page 4, and note 21 on page 32, please explain why, when WELP charged the company \$46 million under the Waneta Expansion Capacity Agreement (WECA), EES only shows a cost of \$38.3 million in Table 7 (p 29) of their study.



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1 **Response:**

2 Please refer to the response to KSCA IR 1.5.2.

3 To assist the KSCA in understanding why the financial statements are not relevant to this  
4 proceeding and cannot be used as a basis of comparison, FBC provides the following  
5 information:

6 1. The data in Table 7 of the COSA is not based on actual costs as the financial statements  
7 are. Rather, it is based on the 2017 forecast test year as filed in the FBC PBR Annual  
8 Review for 2017 Rates, which has been approved by the Commission. Using a forecast  
9 for purposes of a COSA is accepted practice because it has been reviewed and  
10 approved by the Commission, and because it is only on a forecast basis that the costs  
11 and revenues will equal. By contrast, the Consolidated Financial Statements are based  
12 on actual results. These values should not be expected to be the same.

13 2. Costs and revenues in the Consolidated Financial statements will often be classified on  
14 a different basis than in the approved revenue requirement. For example, in this case, in  
15 FBC's Consolidated Financial Statements, Waneta Expansion capacity surplus sales are  
16 classified as Other Income, whereas in FBC's regulated power purchase costs, they are  
17 included as an offset to Waneta Expansion purchases. For the 2017 Forecast, Waneta  
18 Expansion capacity expense is \$47.5 million and surplus sales are an offset of \$9.2  
19 million, resulting in a forecast net Waneta Expansion cost of \$38.3 million. This is  
20 consistent with the actual data in FBC's Consolidated Financial Statements.

21 3. The financial statements are consolidated and, as such, they reflect both the regulatory  
22 accounts and additional non-regulated amounts.

23  
24

25

26 1.5.2.4 Between December 31st, 2015 and 2017 FortisBC Inc  
27 Consolidated Financial Statements show WELP costs under  
28 WECA grew from \$30.2 million to \$46 million – a 52.3%  
29 increase over two years (note 21, 2015 p 34/2017 p 32). What  
30 was this increase in cost for WECA for, and how did this  
31 increased cost benefit all rate classes, especially the  
32 residential class?  
33

34 **Response:**

35 Please refer to the response to KSCA IR 1.5.2.



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1 The purchase of capacity from the Waneta Expansion commenced April 2, 2015. Therefore the  
2 2015 expense was for only a partial year, resulting in an increase from 2015 to 2016. Both  
3 2016 and 2017 reflect a full year.

4  
5

6

7 1.5.2.5 Is the bullet statement in “Waneta Expansion Capacity  
8 Agreement” that:

9 *“...the Waneta Expansion is owned by a limited partnership.  
10 The limited partners of which are FBC’s ultimate parent, Fortis  
11 which owns a 51% interest...”* (2017, note 22, p 33) still an  
12 accurate statement?  
13

14 **Response:**

15 Though not relevant to this proceeding, that statement is correct.

16  
17

18

19 1.5.2.6 If not an accurate statement, what is now the correct  
20 configuration of that limited partnership, and how much has  
21 the intended purchase into that partnership cost the ratepayers  
22 of FortisBC so far?  
23

24 **Response:**

25 Please refer to the response to KSCA IR 1.1.5.2.5.

26  
27

28

29 **EES Study Versus FortisBC Consolidated Financial Statements**

30 1.5.3 Between December 31st, 2015 and 2017 FortisBC Inc Consolidated  
31 Financial Statements show that power purchase costs grew from \$116  
32 million to \$141 million (p 4). Why does EES only show power purchase  
33 cost in Table 7 (p 29) as \$130 million for 2017?



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**Response:**

Please refer to the response to KSCA IR 1.1.5.2.3 for a discussion regarding the Consolidated Financial Statements. In this case, both item 1 (actual vs. forecast) and item 2 (classification) account for the difference.

1.5.3.1 How was this \$11 million variance allocated among the rate classes and why?

**Response:**

The 2017 forecast test year does not have an \$11 million variance, contrary to the assumption in KSCA IR 1.1.5.3.1. Please refer to the response to KSCA IR 1.1.5.3.

1.5.3.2 This is an 8.46% variance in power purchase costs, which begs the question as to whether there are other such variances between FortisBC Consolidated Revenue Statements and the EES Consulting study.

**Response:**

Please refer to the responses to KSCA IRs 1.1.5.3 and 1.1.5.3.1.

**Power Consumption Versus Power Purchase Increases**

1.5.4 Between December 31st, 2015 and 2017 FortisBC Inc Consolidated Financial Statements show that electricity sales declined from 3,213 GWh in 2014 to 3,121 GWh in 2016, and then rose to 3,305 GWh in 2017. That is a 2.86% increase in electricity sales between 2014 and 2017, whereas the increase in the cost of purchased electricity between



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1                                   2015 and 2017 is 21.6%. Please explain why the cost of power  
2                                   purchases are 755% higher than the rate of increase in electricity sales,  
3                                   and how these Power Purchase Agreements (PPA) expenditures  
4                                   benefit all ratepayers, rather than the company choosing to encourage  
5                                   further use of conservation options by ratepayers.  
6

7    **Response:**

8    Please refer to the response to KCSA IR 1.1.5.2, and also to KCSA IR 1.1.5.2.3 which explains  
9    why the financial statements cannot be used as a basis of comparison in this proceeding, and to  
10   the response to KCSA IR 1.1.5.2.4 which explains the changes between 2015 and 2017.

11  
12  
13

14                                   1.5.4.1   Given the cost increase of power purchases, as shown in the  
15                                   2015 and 2017 Consolidated Financial Statements, please  
16                                   explain why FortisBC is proposing to maintain energy rates for  
17                                   all classes, except Residential and Lighting, at or below  
18                                   current rates (Appendix L – 2017 Proposed Rate Change  
19                                   Summary).  
20

21    **Response:**

22   Increases in costs are accounted for each year through the revenue requirements process, with  
23   annual rate increases applied across the board to all rate classes. The 2017 forecast of  
24   revenues used in the COSA already reflects the 2017 forecast revenue requirements, including  
25   power purchase costs, as approved by the BCUC by way of Order G-11-17. Thus, there is no  
26   overall rate increase required for the COSA and FBC is not proposing one in this proceeding.  
27   The COSA results are only being used to make rate rebalancing adjustments on the basis of the  
28   revenue to cost ratios and changes to the individual rate components on the basis of unit costs.  
29   The proposed changes are designed to be revenue neutral for the 2017 forecast because the  
30   revenues at existing rates are already sufficient to meet the forecast revenue requirements.

31   Further, the question assumes that an increase in power supply costs would necessarily lead to  
32   a recommendation for a change in the portion of the class revenue requirement that is  
33   recovered through the variable energy rates. That assumption would be an inaccurate basis on  
34   which to proceed in dealing with the COSA and rate design process. The COSA is a  
35   complicated process involving inter-related parts and allocation factors that are themselves  
36   dependent on load and cost data that also serve to inform the process.



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1 With respect specifically to the energy rate component of the rate structures, the decision on  
2 any changes in the energy rate for the other classes is part of the overall rate design discussion  
3 found in the Application at Sections 6.2.1 (Small Commercial – RS 20), 6.2.2 (Commercial – RS  
4 21), 6.2.3 (Large Commercial – Primary – RS 30), 6.2.4 (Large Commercial – Transmission –  
5 RS 31), 6.2.6 (Irrigation), 6.3 (Wholesale), etc.

6  
7  
8

9 1.5.4.2 With reference to Exhibit 2, please explain why FortisBC  
10 states in the 2017 Consolidated Financial Statements:

11 *“The Corporation’s regulated business includes four*  
12 *hydroelectric generating plants with an aggregate capacity of*  
13 *225 megawatts (“MW”), approximately 7,260 kilometers of*  
14 *transmission and distribution power lines, and a peak demand*  
15 *of 746 MW”*

16 ...when EES instead states:

17 *“The Peak is forecast in the winter at 761 MW and peak of 634*  
18 *is expected during the summer months” (p 2)*

19 ...and aggregate capacity for the four Kootenay River Plants is  
20 208 MW (Table 7, p 9).

21  
22

**Response:**

23 KCSA IR 1.1.5.2.3 for a discussion regarding the Consolidated Financial Statements  
24 The peak forecast of 746 MW included in the Consolidated Financial Statements is FBC’s  
25 historical actual peak, which occurred on December 20, 2008.

26 With respect to the reference to “aggregate capacity for the four Kootenay River Plants”, FBC  
27 owned generation provides for 225 MW of capacity. However, FBC is required to hold 7.51  
28 percent of that capacity for the purpose of operating reserve and regulating and frequency  
29 response, which results in approximately 208 MW of usable capacity.<sup>1</sup>

30  
31

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<sup>1</sup> Calculated as follows: 225 – (225 x 7.51%) = 208 MW.

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**Response:**

10 Please refer to the response to KSCA IR 1.1.5.2.3 as well, but see also the summary below.

11 The purpose, timing and methodology associated with a COSA study and financial statements  
12 are different, which means that differences in the numbers incorporated should be expected.

13 The numbers adopted for one use cannot simply be adopted for the other.

14

15

16

17

18

1.5.5 What would the energy cost have been for FortisBC if the company's  
19 own production facilities had been able to provide 100 percent of the  
20 734 MW of capacity and 100 percent of the 406 MWh Average Energy,  
21 and how would this have impacted the cost of service to all customers,  
22 and residential customers in particular, at price per kWh?

23

24

**Response:**

25 The Company consulted with EES to provide the following response.

26 With its existing generation resources (or, in other words, production facilities, as referred to in  
27 the question), FBC would not be able to meet all of the needs of customers (including, as a  
28 measure of this, "734 MW of capacity and...406 MWh Average Energy"). FBC would need to  
29 build additional facilities if it were to have enough of its own production facilities to meet the  
30 entire load.

31 As FBC does not have the cost associated with building those additional facilities, we cannot  
32 estimate the impact on prices per kWh.

33 However, FBC entered into contracts with BC Hydro and for the Brilliant and Waneta projects  
34 because they were cost effective when compared to building its own resources. Building



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1 additional facilities would be more costly than obtaining power under the contracts and would  
2 place upward pressure on rates.

3 The specifics related to FBC’s resource planning are addressed in other proceedings including  
4 in relation to FBC’s long term electric resource plan.

5  
6

7

8 1.5.6 Using Minimum System and real time consumption data, how would the  
9 average cost per kWh (including Basic Charge, all fees and charges,  
10 but excluding taxes) have varied between all six sources of energy for a  
11 residential customer?  
12

13 **Response:**

14 The Company consulted with EES to provide the following response.

15 Under the COSA, which uses the minimum system approach and where appropriate (and for  
16 the purposes elsewhere set out) real time consumption data referred to in the question, the unit  
17 cost of residential customers is \$35.60 per customer/month and \$0.044 per kWh for  
18 transmission and distribution.

19 That amount could be added to the average power supply costs per resource as provided in the  
20 response to KSCA IR 1.1.5.1 to arrive at the total cost under various resources. However, the  
21 resources work together to meet the needs of the utility and individually provide a different mix  
22 of capacity and energy that may not meet the load profile of a residential customer. Therefore,  
23 it is not appropriate to look at the cost from one specific resource on a standalone basis.

24  
25

26

27 1.5.7 The energy rate for Nelson Wholesale Transmission is stated as 4.501  
28 cents per kWh in Appendix L – “2017 Rate Change Summary”. What is  
29 the cost of delivery per kWh for this customer and how much per kWh  
30 are they charged for all of their cost of service requirements?  
31

32 **Response:**

33 The Company consulted with EES to provide the following response.



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1 The unit cost for Nelson (Rate 41) is \$7,892 per month, plus \$10.95 per kVA plus \$0.039 per  
2 kWh. Of this amount, \$6.29 per kVa is for the delivery of power (transmission cost). The  
3 proposed rate for this customer is \$5,974.48 per month, plus \$6.34 per kVA for wires, plus  
4 \$4.77 per kVA for power supply plus \$0.04501 per kWh. This data is provided in Table 6-24 of  
5 the Application (Exhibit B-1).

6  
7  
8

9 **Long Term Debt As A Factor Of Customer Cost**

10 1.6 Attached please find Exhibit 3. Please complete and confirm the accuracy of the  
11 company's assets, long term debts and debt to equity ratio for 1987, 1999 and  
12 2017.

13  
14

**Response:**

15 At page 8 of Appendix B to Order G-62-18 (the Commission's reasons for its decision on the  
16 regulatory timetable after the March 6, 2018 procedural conference), the Commission noted that  
17 questions regarding FBC's rates of return, long-term debt, and rates of interest paid on  
18 debentures or bonds and the annual cost of servicing that debt, were "out of scope as they have  
19 little to do with rate design and might be more appropriate items for discussion in a revenue  
20 requirements proceeding."

21 As such, FBC has not provided a response to this series of questions except where there is a  
22 direct reference to the COSA.

23  
24  
25

26 1.7 With reference to Exhibit 2, using Minimum System and real time consumption  
27 data, please state the cost per kWh to the residential customer for paying down  
28 and servicing of the company's current long term debt of \$729 million (p 3 and  
29 note 11 p 21).

30  
31

**Response:**

32 The Company consulted with EES to provide the following response.

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1 The COSA does not include debt in the revenue requirements. Debt is one component in the  
2 rate of return. It is not possible to determine the cost per kWh of paying down debt within the  
3 context of the COSA.

4  
5

6

7 1.8 Attached please find Exhibit 4, and with reference to Exhibit 2 (note 11, p 21),  
8 what is the cost to FortisBC customers for Series G and Series I Secured  
9 Debentures, from inception to term?

10

11 **Response:**

12 Please refer to the response to KSCA IR 1.1.6.

13

14

15

16

17 1.9 Does the fact that some \$50 million in secured debentures are coming to term on  
18 December 1st, 2021 and August 28th, 2023 have anything to do with the  
19 decision of FortisBC to increase the residential customer Basic Charge from  
20 \$32.09 now to \$37.39 in 2023?

21

22 **Response:**

23 Please refer to the response to KSCA IR 1.1.6.

24 With respect to the increase in the residential customer Basic/Customer Charge (shown in the  
25 IR for a two month billing period), the increase is explained in Section 6 of the Application. It  
26 does not relate to the coming to term of the debentures. Rather, its increase stems from the  
27 factors set out in Section 6.1.4.4.

28

29

30

31 1.9.1 With reference to Exhibit 2, between December 31st, 2016 and 2017  
32 total assets grew by \$45 million: from 2.144 billion to \$2.189 billion (p  
33 3), and between the same period long term debt grew by \$75 million:

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1 from \$654 million to \$729 million (p 3). Why was \$35 million in  
2 operational debt converted to long term debt on December 4th, 2017  
3 and what will the additional cost of \$75 million in long term debt at 4%  
4 for 32 years be to the ratepayers?  
5

6 **Response:**

7 Please refer to the response to KSCA IR 1.1.6.  
8  
9  
10

11 1.9.2 With reference to Exhibit 2, capital expenditure in 2017 (\$98 million)  
12 increased markedly as compared to 2016 (\$69 Million), and is forecast  
13 to increase to \$104 (note1) million in 2018 - far ahead of annual  
14 depreciation (\$62 million 2017/\$57 million 2016/pp 4-5, notes 6-8, pp  
15 15-19 and note 17, pp 28-29 & note1 “2018-2022 Capital Forecast by  
16 Segment” & “Capital Expenditures Exceeding Expectations”, 2017  
17 Fourth Quarter, Earnings Conference Call, February 15, 2018 – pp 25-  
18 26). Is this affordable and appropriate given that electricity sales have  
19 only grown by 2.86% since 2014?  
20

21 **Response:**

22 Please refer to the response to KSCA IR 1.1.6.  
23  
24  
25

26 1.9.2.1 In note 19 of the 2017 Consolidated Revenue Statement (p  
27 31), long term debt is stated as having a “Carrying Value” of  
28 \$735 million and an “Estimated Fair Value” of \$902 million.  
29 While the 2017 “Carrying Value” reflects the \$75 million issue  
30 of debentures in December 2017, as compared to December  
31 31st, 2016, the “Estimated Fair Value” is \$111 million higher  
32 than 2016. Why the difference and what impact will such a  
33 difference have on cost of service to ratepayers?  
34



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1 **Response:**

2 Please refer to the response to KSCA IR 1.1.6.

3  
4  
5

6 1.9.3 Was the decision to roll over \$35 million in operational debt in 2017  
7 related to only raising the residential rate by .17% in 2018?

8  
9 Response:

10 Please refer to the response to KSCA IR 1.1.6.

11 The forecast 2018 rate increase of 0.17 percent (which has not been implemented) was the  
12 subject of a separate proceeding.<sup>2</sup>

13  
14  
15

16 1.9.4 What have been the key drivers behind ongoing capitalization, and  
17 would some of these expenditures have been better recorded as  
18 operational and maintenance ones rather than capital investment  
19 projects per se?

20  
21 **Response:**

22 Capitalization policies are not properly within the scope of a COSA and Rate Design Application  
23 Process.

24 At page 8 of Appendix B to Order G-62-18 (the Commission’s reasons for its decision on the  
25 regulatory timetable after the March 6, 2018 procedural conference), the Commission noted that  
26 questions regarding capital expenditures from 1987 onward were “out of scope as they have  
27 little to do with rate design and might be more appropriate items for discussion in a revenue  
28 requirements proceeding”, and as a general guideline, the Commission requested that in the  
29 interest of efficiency KSCA and other participants to refrain from interrogatories or requests for  
30 information of this nature that are not directly related to either the COSA or FBC’s Rate Design

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<sup>2</sup> <http://www.bcuc.com/ApplicationView.aspx?ApplicationId=591>.



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1 Application. This question is very similar to those that the Commission determined to be out of  
2 scope.<sup>3</sup>

3 The 2014 to 2019 PBR plan was the subject of an extensive proceeding in which the  
4 Company's capitalization policies were approved. The archived material from that proceeding  
5 can be found on the Commission's website under the heading "FortisBC Inc. Application for  
6 Approval of a Multi-Year Performance Based Ratemaking Plan for 2014 through 2018 ~ Project  
7 No.3698719".

8

9

10

11

12 1.9.4.1 Please, for example, explain why \$85 million in software  
13 expenditures (note 7, p 16) are being treated as capital costs  
14 rather than operational ones, and why Occupational Health  
15 and Safety expenditures with regard Worksafe BC  
16 requirements are not also treated as operational  
17 expenditures?

18

19 **Response:**

20 Please refer to the response to KSCA IR 1.1.9.4.

21

22

23

24 **Exceedance Of 2014-2019 PBR Regulated Plan And Contradiction With Fortis Inc**  
25 **Stated Investment Goals**

26 1.10 With reference to 3.1, "Treatment of capital expenditures in excess of the dead  
27 band", FortisBC Inc Annual Review for 2018 Rates, Order G-38-18, it is noted  
28 that:

29 *"The Panel is concerned that the capital spending in excess of the dead band is*  
30 *expected to be an ongoing issue for the remainder of the PBR term. As a result,*  
31 *and with consideration to the concerns expressed by the interveners in this*

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<sup>3</sup> <http://www.bcuc.com/ApplicationView.aspx?ApplicationId=404>.

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1                    *proceeding regarding capital, the Panel considers that additional capital reporting*  
2                    *is required in the next annual review application”.*

3                    1.10.1    How has the current 2014 to 2019 Performance Based Ratemaking  
4                    (PBR) plan ensured that the right regulatory control has been provided  
5                    to ensure efficient use of capital investment to the benefit of all rate  
6                    classes and the residential class in particular?  
7

8                    **Response:**

9                    This information request relates to FBC revenue requirements and capital expenditure  
10                    processes rather than rate design and, as such, this question is not relevant to this proceeding.  
11                    In Appendix B to Order G-62-18, the Commission asked participants to refrain from  
12                    interrogatories or requests for information in the nature of questions listed there that “**might be**  
13                    **more appropriate items for discussion in a revenue requirements proceeding**” and “are  
14                    not directly related to either the COSA or FBC’s Rate Design Application” (emphasis in original).

15                    The 2014 to 2019 PBR plan was the subject of an extensive proceeding in which the nature and  
16                    extent of regulatory control was canvassed. The archived material from that proceeding can be  
17                    found on the Commission’s website under the heading “FortisBC Inc. Application for Approval of  
18                    a Multi-Year Performance Based Ratemaking Plan for 2014 through 2018 ~ Project  
19                    No.3698719”.

20  
21

22

23                    1.10.1.1    Are not the stated capital investment objectives of Fortis Inc  
24                    for “FortisBC Electric” in direct contradiction with the stated  
25                    goals of the Commission-directed 2014 to 2019 PBR, which  
26                    Fortis Inc projects as a \$104 million injection of capital into  
27                    “FortisBC Inc” in 2018 (“2018-2022 Capital Forecast by  
28                    Segment” & “Capital Expenditures Exceeding Expectations”,  
29                    2017 Fourth Quarter, Earnings Conference Call, February 15,  
30                    2018 – pp 25-26)?  
31

32                    **Response:**

33                    Please refer to the response to KSCA IR 1.1.10.1.

34                    Any concerns that KSCA may have regarding FBC’s capital expenditure may be raised and  
35                    properly belong in FBC’s revenue requirement or annual review processes.



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1 FBC notes that Fortis Inc., which is referred to in the question, is not a regulated entity and is  
2 not a participant either in the annual review or in this proceeding.

3  
4  
5

6 1.10.2 Please list all of the capital projects to which the current long term debt  
7 of \$729 million are associated, listing the amount for each capital  
8 project and the cost to the ratepayers for that capital borrowing,  
9 explaining exactly how these investments have benefited ratepayers  
10 rather than simply providing dividends to Fortis Inc and their  
11 shareholders.

12  
13

**Response:**

14 Please refer to the response to KSCA IR 1.1.10.1.

15 KSCA IR 1.1.10.2 is more appropriately one for revenue requirement or annual review  
16 proceedings.

17 For background, all capital expenditures are assumed for regulatory purposes to be financed at  
18 the utility's approved capital structure and cost of capital, and that is the basis on which it is  
19 included in the revenue requirements which have been used to develop the COSA in this  
20 proceeding. Customers only pay for the approved financing amounts.

21  
22

23

24 1.10.3 Please state how much of the current long term debt of \$729 million is  
25 actually rolled over operational debt, what is commonly understood to  
26 be a structural operational deficit, and please state what the decision to  
27 convert structural operating debt into long term debt has and is costing  
28 the ratepayers.

29  
30

**Response:**

31 Please refer to the responses to KSCA IRs 1.1.6, 1.1.8, 1.1.9.1 and 1.1.9.3.

32  
33  
34



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1                   1.10.4 Using both the Minimum System and real time consumption data,  
2                   please restate the paying down and servicing of this \$729 million long  
3                   term debt – first as a cost per kWh to all the customer classes and then  
4                   as a cost per kWh to the residential customer class.

5  
6                   **Response:**

7                   Please refer to the response to KSCA IR 1.1.6. The concepts of minimum system and real time  
8                   consumption data are unrelated to the utility’s long term debt.

9  
10  
11

12                   1.10.5 How much of the current long term debt of \$729 million is actually  
13                   owned by a Fortis company or a wholly owned subsidiary of a Fortis  
14                   company?

15  
16                   **Response:**

17                   Please refer to the response to KSCA IR 1.1.6.

18  
19  
20

21                   1.10.6 Please list each company and how much dollars (\$) of the long term  
22                   debt they hold?

23  
24                   **Response:**

25                   Please refer to the response to KSCA IR 1.1.6.

26  
27

28                   1.10.7 Fortis Inc, parent company to FortisBC Inc, has consistently stated to its  
29                   shareholders that it has a commitment to increase the value of the  
30                   annual dividends by 6% (“Adjusted Earnings Per Share”, “Average  
31                   annual dividend growth through 2022 targeted at - 6%”, “Post Tax  
32                   Reform Rate Base”, 2017 Fourth Quarter, Earnings Conference Call,  
33                   February 15, 2018 – pp 8, 9 &16). What is the customer cost impact of  
34                   increasing long term debt as a means to maintain the high dividend



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1 payout ratio (>95%) on the formula by which residential customer rates,  
2 all rates, are set?

3  
4 **Response:**

5 Please refer to the responses to KSCA IRs 1.1.6 and 1.1.10.2.

6  
7  
8

9 **Rate Increases Versus Consumer Price Index**

10 1.11 Attached as Exhibit 5 please find a bar graph of West Kootenay Power annual  
11 rate increases as compared to the increase in Consumer Price Index (CPI) for  
12 the years 1973 to 1993.

13  
14 1.11.1 Please complete this bar graph out to 2017.

15  
16 **Response:**

17 Rate increases are a topic for revenue requirements proceedings and annual reviews rather  
18 than COSA and rate design proceedings. These proceedings look to design rate structures that  
19 are in themselves revenue neutral.

20  
21  
22

23 1.11.2 Please construct a table that shows the all in cost (including Basic  
24 Charge and all fees and charges, excluding taxes) per kWh for the  
25 residential class for the years 1973 to 2017, and then add two columns  
26 showing both the annual % rate increase and the annual CPI %  
27 increase for each year.

28  
29 **Response:**

30 Please refer to the response to KSCA IR 1.1.11.1.

31  
32  
33

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1           **Residential Heat Accounts**

2           1.12   Attached please find Exhibit 6, a graph of residential heat accounts for the years  
3                   1984 to 2004, taken from a BCUC IR#1 response by West Kootenay Power of  
4                   October 18th, 1999. Please complete the graph to 2017.

5  
6           **Response:**

7           FBC is not able to provide an update to the referenced graph in Exhibit 6. At the time of FBC's  
8           (then West Kootenay Power) October 18, 1999 response, FBC had in place a residential rate  
9           specifically for customers using electricity as their primary means of space heating (Schedule 4)  
10           and related data was maintained within the billing system at the time. This schedule is no longer  
11           in existence, and FBC does not have historical or current data on the number of residential  
12           accounts in its service territory with electricity as their primary source of space heating.

13  
14  
15

16                   1.12.1   Using this data, please show in a table what the average cost of  
17                   service, both in terms of total annual cost and in cost per kWh  
18                   (excluding taxes) was for electric heat customers for each year, as  
19                   compared to all non-electric heat customers within the residential class.  
20                   It is noted that EES Consulting Inc has extrapolated Residential w/o Net  
21                   Metering (NM) and with Net Metering data in Schedules 1.1, 1.2, 1.3,  
22                   1.4, 1.5, 2.1, 2.2, 3.3, 3.4, 4.3, 6.2, 6.3, 6.4, 7.1, 8.1, 8.2, 8.3, 8.4 and  
23                   8.5. It is therefore assumed that the same kind of extrapolation can be  
24                   done for residential w/o electric heat and electric heat residential  
25                   customers, especially as it is noted that EES was the consultant who  
26                   helped create the original graph in 1999.

27  
28           **Response:**

29           Please refer to the response to KSCA IR 1.1.12.

30  
31

32           **Basic Charge As A Customer Cost**

33           1.13   Please create a table that shows the change in the costs that are used to create  
34                   the Basic Charge for the years 1987 to 2017, then show in a separate column  
35                   what that cost would be for all customers per year, followed by a column showing  
36                   what the percentage increase is for each year, followed by the actual cost per

1 year for each residential customer, along with another column showing the  
 2 percentage increase and a final column showing the CPI index for that year.

3  
 4 Response:

5 It is not possible to provide the requested table.

6 The identification of costs that are intended to be recovered by the Customer Charge is only  
 7 completed during a COSA, and this calculation is only performed periodically, as in 1997, 2009,  
 8 and 2017.

9 Even at these times, the COSA customer-related cost is identified for reference only, as the  
 10 actual Customer Charge that appears in the tariff has never been set to recover the full COSA  
 11 amount. Rather, it is an amount that has changed with the percentage changes resulting from  
 12 revenue requirement determinations or RDA rebalancing unless frozen, as was the case for a  
 13 period of time when the RCR was put in place.

14 However, FBC has compiled the following table that shows the residential customer-related unit  
 15 cost for each of the three years where a COSA was completed (1997, 2009, and 2017), along  
 16 with the customer charge at that time, and the percent recovery.

COSA Year	Residential		
	Customer-Related Unit Cost per Month	Customer Charge per Month	Percent Recovery
<b>1997</b>	\$19.86	\$6.67	33.6%
<b>2009</b>	\$28.74	\$12.13 <sup>1</sup>	42.2%
<b>2017</b>	\$35.60	\$16.05 (RS 01)	45.1%
<b>2017</b>	\$35.60	\$18.70 (RS 03)	52.5%

17 <sup>1</sup> Customer Charge effective September 1, 2009 as a result of a mid-year flow through of increased  
 18 power purchase costs related to BC Hydro Rate Schedule 3808. Customer Charge effective January  
 19 1, 2009 was \$11.87 per month, which amounts to 41.3% recovery of the 2009 COSA derived amount.

20  
 21 With the 2017 COSA, FBC is seeking to move the RCR Customer Charge closer to the COSA  
 22 derived amount and in line with the Customer Charge for those customers taking service on the  
 23 RS 03 flat rate. This rate did not have the Customer Charge frozen with the approval of the  
 24 RCR.

25  
 26  
 27

1           **Cost Of Service By Amount Of kWh Consumed**

2           1.14   Using the Minimum System and real time consumption data, please state the all  
 3           in (Basic Charge, all fees and charges, excluding taxes) per kWh cost of  
 4           selling/delivering power to residential customers in 2017 who used on average:

- 5           a) 2 kWh per day
- 6           b) 33 kWh per day
- 7           c) 100 kWh per day.

8  
 9           **Response:**

10          The Company consulted with EES to provide the following response.

11          The following table presents the costs associated with each usage level based on the unit costs  
 12          resulting from the COSA. This is based on the customer-related unit cost of \$35.60 per  
 13          customer per month and a unit cost of \$0.1026 per kWh for energy. Note that the unit cost used  
 14          for the Energy Cost component includes the combined demand-related and energy-related  
 15          costs combined on a per kWh basis.

16          The COSA, and therefore the requested information, is developed utilizing results of the  
 17          minimum system study and the load profiles based on the AMI data sample.

kWh/day	Annual kWh	Customer Costs	Energy Costs	Total Costs	Cost per kWh
2	730	\$427.18	\$74.86	\$502.05	\$0.69
33	12,045	\$427.18	\$1,235.26	\$1,662.44	\$0.14
100	36,500	\$427.18	\$3,743.21	\$4,170.40	\$0.11

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20

21           **Time Of Use Proposal**

22           1.15   Attached please find Exhibit 7 – a compilation of the proposed Time-of-Use  
 23           (TOU) rates by time of day and time of year. In increments of one hour, please  
 24           show the residential class rate of consumption as a percentage of total  
 25           consumption for those rate slots as they are laid out in Exhibit 6.

26

27           **Response:**

28          The Company consulted with EES to provide the following response.

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1 The following table shows the residential load as a percent of total load for each of the time  
 2 periods laid out in Exhibit 7.

Time of Year	7 am to Noon	Noon to 4 pm	4 pm to 9 pm	9 pm to 7 am
December to February	7.3%	5.7%	8.5%	11.5%
March to June	6.4%	4.9%	7.6%	10.2%
July/August	3.1%	3.0%	4.5%	5.1%
September to November	4.9%	3.8%	6.0%	7.7%

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1.15.1 Noting that 59(2)(a) of the *Utilities Commission Act* (UCA) states that:

*“(2) A public utility must not*

*(a) as to rate or service, subject any person or locality, or a particular description of traffic, to an undue prejudice or disadvantage”*

Please then show, in the same increments as presented in Exhibit 6 and answered in one hour increments in 1.15, a breakdown of consumption within the residential class as a percentage of the overall residential consumption, the percentage of consumption by postal code areas for the Similkameen, Boundary, Okanagan, West Kootenay and VOG 1M0.

**Response:**

FBC does not track premise billing information on the basis of postal code, and notes that in many cases, the mailing address on an account differs from the service address. Segmentation by postal code is not therefore possible. However, FBC does separate its service area by a geographic designation that conforms roughly to the areas requested and is able to provide the information in that format.

Processing hourly consumption information for all customers on the basis of service region involves a large amount of data that cannot be completed in time for the submission date for this round of information requests.

FBC anticipates that it will be able to provide the response within 7 to 10 days after the filing of the rest of the responses.

26  
27



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1.15.2 In 1990 the Washington Utilities and Transportation Commission stated:

*“The Commission rejects the company's proposal to allocate demand-related costs on the basis of a single peak day. A figure averaging several days for several years is more likely to avoid wide swings from year to year due to unusual weather conditions that are unlikely to occur frequently” (Docket No. UG-901459, Third Supp. Order, 1990, p 8).*

Over how many years of data did EES Consulting determine the proposed TOU residential class rate?

**Response:**

The Company consulted with EES to provide the following response.

The TOU periods were determined using 5 years of historical system load. Residential analysis of the share of kWh in different TOU periods and the appropriate rates for those periods was based on hourly data for 2016 for a sample of residential meters.

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1    **2.    Net Metering And Other Cost of Service Class Analysis In The Schedules**

2    At Schedule 1.1, EES states that the “Customer Cost \$/Per Customer/Month” is 21%  
3    more expensive for NM customers than Non-NM residential customers and that the  
4    “Demand Charge \$/KW” was 16.1% cheaper, the “Average Energy Cost\$/kWh” 1.4%  
5    more expensive, and the combined “Average Energy+Demand Cost\$/kWh” was 11%  
6    more expensive, resulting in a “Combined Average Cost\$/kWh” that is 4.7% more  
7    expensive.

8    2.1    Please explain why, if the “Demand Charge \$/KW” is 16.1% cheaper and the  
9    “Average Energy Cost\$/kWh” is only 1.4% more expensive, how the “Average  
10   Energy+Demand Cost \$/kWh” was 11% more expensive for NM customers than  
11   Non-NM residential customers.

12  
13    **Response:**

14    The Company consulted with EES to provide the following response.

15    The total average cost per kWh accounts for the combined demand and energy costs on a per  
16    kWh basis as well as the customer-related costs spread out on a per kWh basis. While the  
17    customer-related costs are 21.2 percent higher on a per customer basis, they are 13 percent  
18    lower on a per kWh basis because NM customers have a larger average use per customer.  
19    The overall 4.7 percent difference is a weighted average of combined demand and energy costs  
20    per kWh that are 11 percent higher and customer-related costs per kWh that are 13 percent  
21    lower.

22  
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25           2.1.1    Please explain why Customer Direct Charges, the “Customer Cost  
26                           \$/Per Customer/Month”, is 21% more expensive for NM customers than  
27                           Non-NM residential customers.

28  
29    **Response:**

30    The Company consulted with EES to provide the following response.

31    Some of the customer-related costs are allocated to rate classes on the basis of weighted  
32    customers. The weighting factor for meters and services is \$91.10 for a NM customer  
33    compared to \$45.60 for a Non-NM customer. The weighting factor for customer  
34    accounting/services is 2.0 compared to 1.0 for Non-NM customers. These weighting factors  
35    differ between NM customers and non-NM customers because of the added complexity  
36    associated with NM customers.



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2.1.2 Please explain why the “Average Energy Cost\$/kWh” varies between class in schedule 1.1, and why the Lighting class costs are 330% higher than for overall average cost for all classes.

**Response:**

The Company consulted with EES to provide the following response.  
The average energy cost per kWh has a small variation between classes. The difference is related, in part, to the months in which the energy use occurs as power supply costs vary by month. The other factor is that the percentage losses vary by customer class based on the voltage level of service i.e. secondary vs primary vs transmission voltage.

The costs for the lighting class are higher on a per kWh basis because there is roughly \$12 million of dedicated street light equipment in the rate base. Costs related to that equipment are directly assigned to the lighting class, leading to higher costs on a per kWh basis.

2.1.3 Please explain how Irrigation, Wholesale Primary and Wholesale Transmission can have “Average Energy Cost\$/kWh” that are lower than the cost of purchasing energy from BC Hydro under the RS 3808 rate in 2017, especially if EES is using RS 3808 as the surrogate cost for both purchase and production of the overall power supply under the Minimum System methodology.

**Response:**

The Company consulted with EES to provide the following response.  
The unit costs in the COSA are based on embedded costs, not marginal costs. While the energy rate from BCH Rate 3808 is higher than the energy-related unit costs, not all of the energy required to meet loads is from the BCH Rate 3808 contract. Energy costs are effectively averaged out among all resources, including the Kootenay River plants, the Brilliant purchase and market purchases. As described in the EES COSA Report beginning at page 28, Rate 3808 is being used as a surrogate only to split power supply costs into the demand-related and

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1 energy-related components. Rate 3808 is not used to determine the total level of the power  
2 supply costs within the COSA.

3  
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5

6 2.2 At Schedule 2.1, EES states that the Functional Cost for NM customers  
7 compared to non-NM residential customers is 31.6% cheaper for  
8 production/demand, 16.4% cheaper for transmission, 3.1% cheaper for  
9 distribution and the same for production/energy.

10

11 2.2.1 Please explain why the energy only cost is 11.1% more expensive for  
12 NM customers compared to Non-NM residential customers, especially  
13 when individual demand charges are cheaper and energy charges are  
14 the same.

15

16 **Response:**

17 The Company consulted with EES to provide the following response.

18 While the demand-related costs are less costly for NM customers when looked at on a per kW  
19 basis, they are more costly when looked at on a per kWh basis. This is because the peak  
20 demand for a NM customer is nearly double the peak demand for a Non-NM customer. NM  
21 customers have a much lower load factor than Non-NM customers due to the intermittent use of  
22 power taken from the utility.

23

24

25

26 2.2.2 Please explain why the Lighting class transmission revenue  
27 requirement is 35.3% of the total revenue requirement for all classes.

28

29 **Response:**

30 The Company consulted with EES to provide the following response.

31 The transmission-related revenue requirement for the lighting class is \$70,650 in comparison to  
32 the total transmission related revenue requirement of \$64,310,485. This is 0.11 percent of the  
33 total, not 35.3 percent of the total.



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1 In looking at the unit cost page, it appears that KSCA intended to ask the question on the basis  
2 of the unit cost and not the revenue requirement. In terms of unit cost per kW, the transmission-  
3 related cost per kW for the lighting class is \$1.65 per kW, which is 35.3 percent of the  
4 transmission-related unit cost of \$4.67 per kW for the entire system. Transmission costs are  
5 allocated among classes on the basis of the 2 CP allocator, which reflects the loads for the two  
6 highest winter peaks and two highest summer peaks. Lighting customers do not have any load  
7 at the time of the peak in the summer months because the monthly peak always occurs during  
8 daylight hours. This results in a lower allocation to the lighting class relative to other classes.

9

10

11

12 2.2.3 Please explain why Wholesale Transmission ends up with a negative  
13 Distribution revenue requirement.

14

15 **Response:**

16 The Company consulted with EES to provide the following response.

17 While the Wholesale Transmission class is allocated a very small share of distribution demand-  
18 related costs, it also receives a credit for other revenue items that are allocated on the basis of  
19 all rate base or gross plant. This includes revenue from Rate 37 and from investment income.

20

21

22

23 2.2.4 Please explain why, when NM and Non-NM residential customers have  
24 a \$KW revenue requirement that is 34.3% and 21.7% respectively  
25 cheaper than \$KW for all classes, the Average Cost per kWh is 32.5%  
26 and 15.2% respectively more expensive than the kWh revenue  
27 requirements for all classes.

28

29 **Response:**

30 The Company consulted with EES to provide the following response.

31 Please refer to the response to KSCA IR 1.2.2.1. The \$ per kW difference is not applicable  
32 when it is spread among kWh rather than kW. Because of different load factors by class, the  
33 results vary when demand-related costs are spread on a per kWh basis.



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2.2.5 Please explain why the Lighting class has a revenue requirement that is nearly double the kWh revenue requirement for all classes.

**Response:**

Please refer to the responses to KSCA IRs 1.2.1.2 and 1.2.2.2.

2.3 Please explain why the Energy (PE) \$/kWh and \$Customer/Month Rate Base Unit Cost in Schedule 2.2 are more expensive for NM than for Non-NM residential customers.

**Response:**

The Company consulted with EES to provide the following response.

When generation rate base is classified and allocated to customer classes, it is based on the combined 20 percent demand / 80 percent energy allocation factor. This results in a slightly different allocation than when energy is used alone. Because the NM group has a lower load factor than the Non-NM group, the 20 percent demand / 80 percent energy allocation factor is higher for the NM group than the energy allocation factor alone. While this results in a higher energy rate base per kWh for the NM group, it also results in a lower demand-related rate based per kW for the NM group.

2.3.1 Please explain why the Energy (PE) \$/kWh Rate Base Unit Cost for all other classes is anywhere from 9% to 20% cheaper than for the Non-NM residential class, and anywhere from 12.7% to 24% cheaper than the NM customer cost.

1    **Response:**

2    The Company consulted with EES to provide the following response.

3    Please refer to the response to KSCA IR 1.2.3. The differences per class result from a  
 4    difference in the load factors by class.

5  
6

7

8           2.4    Please explain what the terms mean, and why in Schedule 6.2 the Customer  
 9                    class is allocated more than 65% in NCPS, CUST, CUSTW, CUSTR, MINSYSP,  
 10                   MINSYSC, MINSYST and RBD.

11

12   **Response:**

13   The Company consulted with EES to provide the following response.

14   The following table defines each of the classification factors and can be found in the FA&C  
 15   Factors tab of the COSA model. Note that not all of the factors are used for the 2017 COSA.  
 16   The allocation factors are based on the loads and number of customers associated with each of  
 17   the factors. The percent allocation of over 65 percent is a direct result of the residential levels  
 18   for the corresponding loads and number of customers. For example, while the residential class  
 19   has only 42 percent of the annual energy, they make up 86 percent of the total customers.

Classification Factors	Classification Method
CP1	1 Coincident Utility Peak
CP2	2 Coincident Utility Peak (Sum 2 Winter & 2 Summer)
CP4	4 Coincident Utility Peak (Sum 4 Winter)
CP12	12 Coincident Utility Peak
TCP1	1 Coincident Utility Peak
TCP2	2 Coincident Utility Peak (Sum 2 Winter & 2 Summer)
TCP4	4 Coincident Utility Peak (Sum 4 Winter)
TCP12	12 Coincident Utility Peak
NCP	Non-Coincident Peak
NCPP	Non-Coincident Peak – Primary
NCPS	Non-Coincident Peak - Secondary
kWh	Annual Energy (kWh)
CUST	Actual Customers
CUSTW	Customers Weighted for Accounting/Metering

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Classification Factors	Classification Method
CUSTM	Customers Weighted for Meters and Services
CUSTR	Retail Customers
MINSYSP	Minimum System - Poles, Towers & Fixtures (96% Customer, 4% Demand)
MINSYSC	Minimum System - Overhead and Underground Conduit (58% Customer, 42% Demand)
MINSYST	Minimum System - Transformers (73% Customer, 27% Demand)
20D/80E	20% Demand & 80% Energy (per Equivalent BCH Purchase)
DA1	Direct Assignment for Streetlights
REV	On The Basis of Revenue Req. Before Taxes and Other Revenues
RB	On the Basis of All Rate Base
RBG	On the Basis of Generation Rate Base
RBT	On the Basis of Transmission Rate Base
RBT-D	On the Basis of Transmission Rate Base - Demand
RBT-E	On the Basis of Transmission Rate Base - Energy
RBT-DA	On the Basis of Transmission Rate Base - Direct Assignment
RBD	On the Basis of Distribution Rate Base
RBGP	On the Basis of General Plant Rate Base
OM	On the Basis of All O&M
OMAG	On the Basis of O&M (w/o Power Supply and A&G)
GPLT	On the Basis of Gross Plant (w/o General Plant & Intangible)
NETPLT	On the Basis of Net Plant
LABOR	On the Basis of Labor Ratios
PURCHkWh	On the Basis of Energy Purchases Weighted by Month
PURCHKW	On the Basis of Demand Purchases Weighted by Month
DSM	Classified 72% Energy, 17% Demand & 12% T&D
RBASE	On the Basis of Total Rate Base

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2.4.1 Please explain what the terms mean, and why in Schedule 6.2 the Customer class is allocated more than 50% in CP1, CP2, CP4, TCP1, TCP2, NCPP, REV RB, RBT, RBT-D, RBGP, OMAG, GPLT and NETPLT.



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1 **Response:**

2 Please refer to the response to KSCA IR 1.2.4.

3  
4  
5

6 **Time Of Use In The Schedules**

7 2.5. At page 36 EES states that between 2009 and 2017 *"...the total [load] growth was*  
8 *47 MW in the winter, or about 0.8% per year. For the summer peak, the growth was 73*  
9 *MW, or about 1.5% per year. This indicates that the summer peak is moving closer to*  
10 *the level of the winter peak, and that FortisBC system planning will continue to need to*  
11 *recognize the growth in the summer peak"*.

12 The inference based on creation of a three tier residential TOU proposal is that the main  
13 driving force behind that load growth is the Residential class. Schedule 6.3 however may  
14 reveal a different statistical picture. Fig 1 on page 36 reveals a second or summer peak  
15 of June through August, whereas the proposed residential TOU only has a peak demand  
16 rate for July and August.

17 2.5.1 For the purposes of Fig 1 (EES Study, p 36), then Schedule 6.3, and  
18 the proposed residential TOU rate, please define the duration of  
19 Summer and why, if it is, it is different.

20  
21 **Response:**

22 The Company consulted with EES to provide the following response.

23 Summer is defined as July and August in the proposed rate. Hourly system loads for the 5-year  
24 period examined did not warrant including June in the summer period. If the peak demand for  
25 June continues to be as high as July and August peak demands in the future, FBC may  
26 consider expanding the summer TOU period to include June.

27  
28  
29

30 2.5.2 Please explain why the residential class in Schedule 6.3 is assigned  
31 52.57% "Total Annual ICP" and 50.39% of the "2 Winter + 2 Summer"  
32 "Coincident Peak Demand Allocation - Production".  
33



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1 **Response:**

2 The Company consulted with EES to provide the following response.

3 Those percentages are the results of the residential loads in comparison to total loads based on  
4 forecast peak demand data. The difference between the two is the result of looking at the  
5 highest peak of the year for 1 CP compared to the 2 highest winter peaks plus 2 highest  
6 summer peaks for 2 CP. The results show that the residential class contributes less to the 2 CP  
7 than it does to the 1 CP.

8  
9

10

11 2.5.3 With reference to Schedule 6.3 please explain why, if the residential  
12 class is only allocated 44.5% of the Power Supply in Summer,  
13 compared to 47.26% annually and 51.67% in Winter, there is a need to  
14 charge a peak TOU rate in July and August between Noon and 9.00  
15 PM.  
16

17 **Response:**

18 The Company consulted with EES to provide the following response.

19 The residential TOU rate periods were determined based on the total system load levels in  
20 various hours. That analysis indicated that the Noon to 9 pm period had the highest loads in the  
21 summer months, that the peak demand would likely occur in that period, and that the peak load  
22 for those months contributed to the need to acquire capacity-related resources. The TOU  
23 periods are designed to reduce overall use in the on-peak periods as well as the peak demands  
24 for the system, resulting in lower overall power supply costs for the system as a whole. The  
25 same TOU periods were used for all classes. Having an on-peak TOU period for the residential  
26 class in the summer is based on reducing overall system peak demand levels, and is not on the  
27 specific loads of the residential class.

28 The allocation factors shown in Schedule 6.3 seem to indicate that the residential class has a  
29 lower peak demand in the summer months relative to the winter months. If that is the case, we  
30 would expect to see residential TOU customers face fewer kWh at on-peak rates than they do in  
31 the winter months.

32

33

34



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1                   2.5.4    With reference to Schedule 6.3, given that FortisBC is ostensibly trying  
2                                   to lower winter peak demand, why, when Wholesale Transmission  
3                                   allocation is double in winter than in summer, is the company not  
4                                   charging a higher winter rate to Wholesale Transmission?  
5

6    **Response:**

7    The Company consulted with EES to provide the following response.

8    The TOU rates are developed on the basis of power supply cost differentials for the entire  
9    system, and the rate differentials apply to all customer classes. FBC is trying to lower both  
10   winter and summer peak demands through the TOU rates and so the on-peak prices are the  
11   same in both the winter and summer on-peak periods.

12  
13

14

15                   2.5.5    With reference to Schedule 6.3, if FortisBC is concerned about load  
16                                   growth in summer, why is the company not focusing its attention on the  
17                                   fact that Large Primary allocation is 53.7% higher in summer than  
18                                   winter, Commercial 29.1% and Small Commercial 12.4%, but FortisBC  
19                                   is instead focusing on residential power consumption which is actually  
20                                   13.9% lower in summer?  
21

22    **Response:**

23    The Company consulted with EES to provide the following response.

24    FBC is not focusing any more or any less on any one customer class in setting the optional TOU  
25    rates. The TOU rates are developed on the basis of power supply cost differentials for the entire  
26    system, and the rate differentials apply to all customer classes. Further, residential and small  
27    commercial customers do not have a demand charge to recover the costs associated with high  
28    loads in certain time periods and so the optional TOU rates provide a better price signal to  
29    reduce peak loads. Commercial and Large Commercial customers currently have demand  
30    charges with an 11 month ratchet clause and already have a large price signal to reduce peak  
31    loads.

32  
33

34



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1           **Schedule Questions Again**

2           2.6     Please create a table from Schedule 6.5 data comparing Non-Coincident Peak  
3                     Demand Allocation with real time consumption.

4  
5           **Response:**

6           The Company consulted with EES to provide the following response.

7           Real time consumption data reflects loads in each hour of the entire year. The NCP data  
8           provided in Schedule 6.5 shows the amount of NCP by class, and the percent allocations by  
9           class. The NCP data was developed by looking at real time consumption data by class. It is  
10          unclear how these two items would be compared to one another. Adding together the loads all  
11          of hours provided the real time consumption data would result in energy totals, and those  
12          allocation percentages are already provided in Schedule 6.2.

13  
14  
15

16          2.7     With reference to Schedule 7.1, please explain why, when the residential class is  
17                     forecast to use only 44.2% of the “Forecast kWh”, it will pay approximately 74%  
18                     for “Customer Charge Revenues”.

19  
20          **Response:**

21          The Company consulted with EES to provide the following response.

22          Customer charges are based on customer-related costs. Those costs are allocated on the  
23          basis of the number of customers or in some cases a weighted average number of customers,  
24          as explained in the section “Customer Allocation Factors” starting on page 37 of the Cost of  
25          Service Study (Exhibit B-1, Appendix A). Residential customers make up 86.4 percent of the  
26          total number of customers. The percent of customer charge revenues paid for by the residential  
27          class is unrelated to the amount of energy used by the class.

28  
29  
30

31                     2.7.1     Given the introduction of AMI, please state the decreased annual and  
32                             accumulated cost of meter reading, and then explain why Basic Charge  
33                             costs for residential customers, in particular, have not decreased also.

34



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1 **Response:**

2 FBC notes that the Customer Charge is meant to recover the fixed costs related to the delivery  
3 of electricity to customers that do not vary with the amount of power consumed. Fixed costs  
4 include the poles, wires, and generation equipment used to generate and deliver electricity, as  
5 well as the employees that provide service, and not just the costs associated with manually  
6 reading meters.

7 Section 3.5 of the Application sets out the fixed cost recovery percentages of the Customer  
8 Charge for each of the rate classes. For Residential Rate Schedule 1, the current Customer  
9 Charge only recovers 45 percent of its allocated fixed costs. In the 2009 COSA and RDA, the  
10 Customer Charge for Residential Rate Schedule 1 was shown to be recovering 41 percent of its  
11 allocated fixed costs.<sup>4</sup> While manual meter reading costs have decreased as a result of the  
12 implementation of the AMI Project, the Customer Charge is still recovering only a portion of  
13 fixed costs, and FBC has proposed to align the Customer Charge component of all the rate  
14 schedules to ensure recovery of a minimum of 55 percent of fixed costs.

15  
16

17

18 2.8 With reference to Schedule 8.1, why are there suddenly 10,052 more residential,  
19 812 more small commercial and 333 more commercial customers between  
20 January 16 and February 16, 2017?  
21

22 **Response:**

23 The Company consulted with EES to provide the following response.

24 The number of customers shown in Schedule 8.1 is based on summarizing billing data for all  
25 customers and may not be adjusted for the timing of billing cycles. While 2016 customers are  
26 shown on a monthly basis in the COSA model, the 2017 forecast of customers is the basis for  
27 all allocations and unit cost calculations in the COSA. The 2016 monthly number of customers  
28 was used to spread out the 2017 forecast customer count by month; however, all of the  
29 allocations and unit costs are based on the average annual number.

30  
31  
32

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<sup>4</sup> 2009 COSA and RDA, Table 10. 1, page 57.

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1           2.9     With reference to Schedule 8.2, between November 1st, 2017 and January 31st,  
2                           2018 our household solar PV system offset 11.15% of the approximately 9 kWh  
3                           daily average we used from the FortisBC grid, by transferring 1 kWh per day of  
4                           production onto the company’s grid.

5                           In contrast EES states at Schedule 8.2 that NM customers historically have an  
6                           overall lower “Individual Load Factor” on an annual basis than Non-NM  
7                           residential customers, but a higher “Individual Load Factor” for the November,  
8                           December and January billing periods.

9           2.10     What is the significance to cost allocations and revenue requirements by class to  
10                           the fact that the residential class has the lowest “Individual Load Factor” at 21.4%  
11                           annually, as compared to Wholesale Primary at 68.8%, Large Commercial  
12                           Transmission 65.1%, Irrigation 59.5%, Large Commercial Primary at 56.7%,  
13                           Wholesale Transmission 50.4%, Commercial 50.3%, Lighting 50.1% and Small  
14                           Commercial at 37.5%?

15  
16     **Response:**

17     It is unclear to which household KSCA is referring to in the preamble, or why the information  
18     provided is in “contrast” to the class load factors as determined by the COSA. A response is  
19     provided below to the significance of load factor within the COSA.

20     The Company consulted with EES to provide the following response.

21     When a class, such as residential, has a lower load factor than other classes it means that the  
22     peak demand is higher in relation to energy use than for those classes with higher load factors.  
23     This will result in a higher demand allocation and a higher revenue requirement for the class.

24  
25

26

27           2.10.1    What is the significance to cost allocations and revenue requirements  
28                           that NM customers have a lower “Individual Load Factor” at 20.9% than  
29                           Non-NM residential customers at 21.4% annually, and a significantly  
30                           lower “Individual Load Factor” for the billing periods between February  
31                           and October?

32

33     **Response:**

34     The Company consulted with EES to provide the following response.



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1 As discussed in the response to KSCA IR 1.2.10, a lower load factor is correlated with a higher  
2 demand allocation and higher revenue requirements. This is why the unit cost per kWh from the  
3 COSA is higher for NM customers relative to Non-NM customers.

4 FBC is not proposing a particular net metering rate as part of this Application, but did provide  
5 information in relation to net metering customers as background in its Application and the  
6 COSA. In that context, FBC also provides this response as general background. However, as  
7 the Commission noted on p. 9 of Appendix B to Order G-62-18, the topic of net metering is out  
8 of scope in this proceeding.

9

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1   **3.   Meter Reading, Radio-Off Manual Read Fee, Estimates, Arrears And Disconnecting**  
2   **Customers**

3   The Kaslo Seniors Community Association – Branch #81 believes that all customers  
4   have a right to know and understand how Fortis BC’s policy is formulated for delivery of  
5   service and the cost of that service. Further, under definitions, the UCA states that:

6    ***"rate" includes***

7    *(a) a general, individual or joint rate, fare, toll, charge, rental or other compensation of a*  
8    *public utility,*

9    *(b) a rule, practice, measurement, classification or contract of a public utility or*  
10    *corporation relating to a rate, and*

11    *(c) a schedule or tariff respecting a rate;*

12    ***"service" includes***

13    *(a) the use and accommodation provided by a public utility,*

14    *(b) a product or commodity provided by a public utility, and*

15    *(c) the plant, equipment, apparatus, appliances, property and facilities employed by or in*  
16    *connection with a public utility in providing service or a product or commodity for the*  
17    *purposes in which the public utility is engaged and for the use and accommodation of*  
18    *the public”.*

19    Further, with respect to sections 39 and 41 of the UCA:

20    *“No discrimination or delay in service*

21    *39 On reasonable notice, a public utility must provide suitable service without undue*  
22    *discrimination or undue delay to all persons who*

23    *(a) apply for service,*

24    *(b) are reasonably entitled to it, and*

25    *(c) pay or agree to pay the rates established for that service under this Act*

26    *No discontinuance without permission*

27    *41 A public utility that has been granted a certificate of public convenience and necessity*  
28    *or a franchise, or that has been deemed to have been granted a certificate of public*  
29    *convenience and necessity, and has begun any operation for which the certificate or*  
30    *franchise is necessary, or in respect of which the certificate is deemed to have been*



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1            granted, *must not cease the operation or a part of it without first obtaining the permission*  
2            *of the commission*".

3            3.1.1 With regard my "In-Camera Affidavit and Exhibits A, B and C", does FortisBC  
4            have a person or persons specifically trained and assigned to deal with accounts  
5            that the company deems are in arrears?  
6

7            **Response:**

8            FBC has not received a copy of an "In-Camera Affidavit" or "Exhibits A, B and C", notice of a  
9            confidential filing, or any notification of the basis for a claim for confidentiality if any such  
10           document has been filed. FBC objects to consideration of any such evidence without an  
11           opportunity to consider its position on what has been filed and the opportunity to make  
12           submissions on it.

13           However, answering the question itself appears not to require reference to those documents.  
14           All employees in Customer Service have been trained to support customers who are in arrears.  
15           Further, FBC has a dedicated collections group that has the flexibility to work with FBC's  
16           customers based on each customer's unique situation.

17  
18  
19

20           3.1.2 Does FortisBC have a BCUC-approved policy on how to handle customer  
21           accounts that are in arrears during the winter months, from the beginning of  
22           October through the end of March?  
23

24           **Response:**

25           With respect to the discontinuance of service, FBC operates in accordance with Section 6.5 of  
26           the Terms and Conditions of its Electric Tariff, which is approved by the BCUC. FBC has a  
27           disconnection policy for the winter months that, while not approved by the BCUC, is in  
28           accordance with Section 6.5. That policy includes an assessment of weather conditions by both  
29           office and field staff prior to disconnection occurring. It also includes moratoriums on  
30           disconnections and other collections activities during the holiday season. FBC regards the  
31           discontinuation of service as a last resort and as such, works with each customer individually to  
32           consider the various alternatives available, such as bill payment options (i.e., flexible payment  
33           plans and the equal payment plan or EPP) based on their individual situation, irrespective of the  
34           time of year.

35  
36

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2           3.1.3 With regard “In Camera Exhibit A and B”, does FortisBC have a policy of  
3           contacting customers before the decision is made to cut a customer off from their  
4           electrical service delivery, and does that assessment include a review of a  
5           customer’s payment history?  
6

7           **Response:**

8           FBC was not provided with a copy of “In Camera Exhibit A and B”. Please also refer to the  
9           response to KSCA IR 1.3.1.1. However, reference to those documents does not appear to be  
10          required to respond to the question.

11          Yes, FBC has a policy of contacting customers any time there may be a disconnection of  
12          service. The customer’s payment history may form part of the analysis in the decision to  
13          disconnect a customer for non-payment depending on the situation. However, the primary  
14          assessment takes place during discussions with the customer to understand their specific  
15          situation and how FBC can assist them in getting back on track. FBC is focused on finding  
16          ways to keep the energy flowing to the customer’s home or business and on finding a mutually  
17          agreeable payment arrangement to prevent both disconnection and future bad debt expenses.

18          FBC believes that standardized collections policies are ineffective and not in the best interest of  
19          customers. Instead, FBC’s representatives are encouraged to build relationships with  
20          customers and act as customer advocates which in turn improves both employee and customer  
21          satisfaction and reduces outstanding accounts receivables and bad debt expenses.

22

23

24

25           3.1.4 Does FortisBC have a policy for reimbursing customers for property damage  
26           when electrical service is cut off without due process and/or due cause?  
27

28           **Response:**

29           As discussed in the response to KSCA IR 1.3.1.3, it is not FBC’s practice to disconnect a  
30           service without exhausting all other options first. In any case, where a customer claims damage  
31           as a result of FBC processes, FBC follows its internal process regarding reimbursing customers  
32           for property damage, if any is claimed to have occurred, in relation to Section 8.1 of the Terms  
33           and Conditions of the Electric Tariff to determine if remuneration is necessary. When  
34           appropriate, a third party adjuster is consulted to adjudicate on customer damage claims.

35

36

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1

2           3.2.1 With regard “In Camera affidavit and Exhibit C”, how many residential customers  
3                   in the VOG IM0 postal code area have opted to pay a “Radio-Off Manual Read  
4                   Fee”?

5

6           **Response:**

7           FBC was not provided with a copy of an “In Camera affidavit” or “Exhibit C”. Please also refer to  
8           the response to KSCA IR 1.3.1.1.

9           However, in the VOG 1M0 postal code, 78 customers have chosen to take service under the  
10           Radio-off AMI Meter Option. Choosing that option carries with it certain terms, including fee  
11           payment.

12

13

14

15           3.2.2 How many times during 2017 did FortisBC opt to not read the meters of these  
16                   customers but still charge the fee?

17

18           **Response:**

19           FBC confirms that the Radio-off Read Fee was charged on 25 occasions where the meter was  
20           not read due to encountering customer access issues that prevented FBC from reading the  
21           meter. As FBC made attempts to read these meters, the Radio-Off Read Fees were  
22           appropriately charged.

23

24

25

26           3.2.3 How many times during 2017 did FortisBC opt to estimate the billing for these  
27                   meters rather than manually read the meter?

28

29           **Response:**

30           The 78 customers taking service under the Radio-off AMI Meter Option in the VOG 1M0 postal  
31           code had 468 opportunities for manual meter readings in 2017, of which 163 were estimated  
32           due either to reasons within a customer’s control (e.g. aggressive dogs), or to reasons outside  
33           of a customer’s control (e.g. meter reader unable to arrive due to weather).



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3.2.4 Of the customers in the VOG 1M0 portion of the service area, for what percentage of them did the company try to raise their Equal Payment Plan amount based on estimates of consumption rather than actual readings of the meters?

**Response:**

In 2017, 0.4 percent of customers with VOG 1M0 mailing addresses were registered on EPP, had an estimate prior to their EPP reconciliation date and had an increase in the EPP installment amount.

However, the increase was not based simply on the estimate, as annual consumption data is considered when the EPP amount is reviewed.

FBC does not agree with any implication that might be drawn from the question that FBC sets out to increase the amount of customer bills or installment payments or chooses between estimates and readings to achieve some kind of ulterior objective.

Please also refer to the response to KSCA IR 1.3.2.6.

3.2.5 How many times did FortisBC end up charging late payments and/or attempting to cut a customer off from electrical service because of billing disputes as a result of not reading meters of “Radio-Off” and/or “Equal Payment Plan” customers?

**Response:**

In all cases, FBC reviews the individual circumstances of an account and speaks to the customer prior to disconnecting services. If a billing dispute arises that has not yet been resolved, the account balance is exempted from both late payment charges and collections activities until such time as the dispute is resolved.

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1

2           3.2.6 Is FortisBC prepared to direct staff to stop the practice of raising Equal Plan  
3           Payment charges before reading the meter, thus ending the practice of raising  
4           Equal Payment Plan charges based on estimated consumption rather than actual  
5           customer consumption?  
6

7           **Response:**

8           Without specific account information, this specific customer situation is difficult to comment on.  
9           Instead, FBC will comment on the usual process for the EPP.

10          FBC notifies customers of their upcoming installment amount (whether increased, decreased, or  
11          unchanged) on the bill immediately preceding the change. This change in installment is based  
12          on historical consumption information and not only the most recent reading which may have  
13          been an estimate. Customers can contact FBC with any questions or concerns about the  
14          upcoming EPP amount and have FBC change the amount to a different mutually agreed upon  
15          amount if appropriate.

16          Please also refer to the responses to KSCA IRs 1.3.2.4 and 1.3.2.5 regarding FBC's concerns  
17          with the overall tenor of this series of questions.

18

19

20

21           3.2.7 With reference to "In-Camera" Exhibit C, can FortisBC please explain how, when  
22           the now BC Ministry of Social Development and Poverty Reduction takes over  
23           utility payments for a family receiving BC Social assistance and/or BC Disability  
24           Assistance, the company still ends up charging late payment fees.  
25

26           **Response:**

27           FBC was not provided with a copy of an "In Camera affidavit" or "Exhibit C". Please also refer to  
28           the response to KSCA IR 1.3.1.1. If there is a particular situation to which this question is  
29           alluding, FBC is not able to respond to it. As such, FBC addresses this question more  
30           generally.

31           FBC applies late payment fees as per Section 6.5 of the Terms & Conditions in the FBC Electric  
32           Tariff which states that, "... Late payment charges may be applied to overdue accounts at the  
33           rate specified on the bill and as set out on the applicable schedule."

34           In consideration of its overall customer base, FBC does not consider it appropriate to create a  
35           standard policy to waive late payment fees based on which government entity is making the



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1 payment, as this would in effect result in unfair subsidization by those customers who are not in  
2 arrears. In addition, FBC is not always aware that future payments are being made by these  
3 agencies.

4  
5  
6

7 3.2.8 With further reference to my “In-Camera Affidavit and Exhibit C”, is FortisBC  
8 aware that customers who end up in arrears who are on BC Social Assistance  
9 and/or BC Disability Assistance are eligible for a hardship allowance, as an  
10 alternative to FortisBC garnisheeing the monthly Assistance cheque to deal with  
11 any arrears?

12  
13

**Response:**

14 FBC was not provided with a copy of an “In Camera Affidavit” or “Exhibit C”. Please also refer  
15 to the response to KSCA IR 1.3.1.1. If there is a particular situation to which the question is  
16 referring, FBC does not have the benefit of reviewing the information related to it, so instead  
17 directs its response to the concepts raised by the question more generally.

18 FBC is aware that a hardship allowance is one of a number of resources available when  
19 assisting customers who are having difficulty paying their electricity bill. While FBC employees  
20 do suggest a number of options when working with customers who are on social or disability  
21 assistance, the choice of which assistive service a customer chooses is ultimately the  
22 customer’s.

23 For additional clarification, FBC works with the customer and the assistive services that the  
24 customer selected to determine what amount the assistive service pays FBC on the customer’s  
25 behalf; however, FBC does not garnish monthly assistance cheques.

26  
27

28

29 3.2.9 Under AMI, is FortisBC now able to move the billing date for customers on fixed  
30 incomes, such as those on pensions, income assistance and disability  
31 assistance, so that the billing date is after the arrival of monthly cheques?

32  
33

**Response:**

34 Yes, FBC is able to move AMI Radio-On customers to a billing date which would result in a due  
35 date that is after the arrival of their monthly cheques.



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3.2.10 If yes, does FortisBC regularly notify customers of the possibility of moving the billing date through its website and/or in circulars that are mailed out to customers with their bills?

**Response:**

Yes.

FBC has information on its website referring to the ability to move billing dates, at the following link:

<https://www.fortisbc.com/Electricity/CustomerService/ElectricityMeters/Pages/Frequently-asked-questions.aspx>

FBC has also included such information in PowerLines, the circular which is included as a customer bill insert multiple times per year. For example, in the Summer 2015 PowerLines article on the benefits of AMI, “...more convenient billing options, like monthly billing and fewer bill estimates” were referenced and customers were directed to get more information on choosing a billing date at the FBC website, where other AMI benefits were also listed. A direct link to this information is provided above.

3.2.11 With reference to my “In-Camera Affidavit” where a customer household contains a person who is on BC Disability Assistance or a CPP Disability Pension, who has a medical condition that is exacerbated by installation of an AMI meter, would FortisBC be willing to waive “Radio-Off” fees where a doctor supplies a prescription that describes that medical condition as requiring that an AMI meter be turned off?

**Response:**

FBC has not received a copy of an “In-Camera Affidavit”. Please also refer to the response to KSCA IR 1.3.1.1.

For the present time, it addresses this question without the benefit of any specifics.



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1 The subject of waiving Radio-off fees for individuals with medical conditions was examined in  
2 the regulatory process for FBC's Application for a Radio-off AMI Meter Option. FBC's position  
3 has not changed from what was stated in response to an IR from Citizens for Safe Technology  
4 Society (CSTS) which is reproduced in part below:

5 No, FortisBC will not waive the radio-off fee. There is no provision in the opt-out  
6 principles set out in Order C-7-13 for such an exclusion and such an exclusion  
7 would be contrary to the principle that "[t]he incremental cost of opting-out of the  
8 AMI program will be borne by the individual choosing to opt out".<sup>5</sup>

9  
10

11

12 3.2.12 In the alternative, if the answer is no to 3.2.11 above, would FortisBC instead be  
13 willing to waive the charges and fees to move the AMI meter away from the  
14 residence?

15

16 **Response:**

17 No. A customer that chooses to relocate their meter base to a new location is responsible for  
18 the costs of doing so, regardless of their reason for moving the meter. Please also refer to  
19 FBC's response to KSCA IR 1.3.2.11.

20

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<sup>5</sup> FBC Application for Radio-off AMI Meter Option, FBC Response to CSTS IR 1.41, Exhibit B-8.

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1   **4.   Municipal Basic Charges, Net Metering, Micro Standing Offer Program And**  
2   **Lighting Service**

3   Between July of 2016 and July of 2017, while factoring in the value of a Homeowners  
4   Property Grant, our household's property taxes rose by 35.5%. As property owners  
5   trying to live on fixed incomes, whose private pensions (where they exist) are often not  
6   tied to the rate of inflation, seniors are very interested in any savings that local  
7   governments can make in the cost of delivery of services to us, as that means either  
8   lower property taxes and/or a lower rate of increase in property taxes. In short we are  
9   very interested in municipal and regional district governments being able to maximize  
10   cost savings for electricity purchase, and even producing some to further offset cost of  
11   electricity.

12   Further, we would like FortisBC to answer the following questions within the context of  
13   meeting the stated goals and objectives of section 2 (a), (d), (k), (i) and (m) of the 2010  
14   British Columbia Clean Energy Act (CEA), which states, in part:

15   *"The following comprise British Columbia's energy objectives:*

16   *(a) to achieve electricity self-sufficiency;...*

17   *(d) to use and foster the development in British Columbia of innovative technologies that*  
18   *support energy conservation and efficiency and the use of clean or renewable*  
19   *resources;*

20   *(k) to encourage economic development and the creation and retention of jobs;*

21   *(l) to foster the development of first nation and rural communities through the use and*  
22   *development of clean or renewable resources;*

23   *(m) to maximize the value, including the incremental value of the resources being clean*  
24   *or renewable resources, of British Columbia's generation and transmission assets for the*  
25   *benefit of British Columbia;..."*

26   4.1   In his oral submission to the procedural conference, the CAO for the Corporation  
27   of the Village of Kaslo raised the fact that the corporation had 22 separate  
28   electrical service accounts with FortisBC, each paying a separate Basic Charge.  
29   With the advent of AMI, can these multiple accounts be consolidated into fewer  
30   multiple metered accounts or even one overall account?

31  
32   **Response:**

33   FBC has many consolidated accounts that have multiple services (under one account number).  
34   However, each service on the consolidated account would continue to be charged for that



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1 service's Customer Charge. Please refer to the response to KSCA IR 1.4.1.1 for the criteria that  
2 are applied to determine whether accounts can be consolidated.

3  
4

5

6 4.1.1 If yes, to what number of accounts, and if no, why cannot the number of  
7 accounts be reduced from 22?

8

9 **Response:**

10 In order to consolidate accounts, the services being consolidated must be portable to the same  
11 reading and billing cycle so all the meter reads are available from the AMI system on the master  
12 account's billing date. In most cases, this means that the services must be communicating on  
13 the FBC network (not manually read) so all the meter reads on the new consolidated account  
14 are available on the same day in order to bill.

15 For some large customers, it makes sense to only consolidate similar services onto the same  
16 consolidated account, but it is possible to consolidate all services onto one account if all  
17 services can be successfully moved to the same billing cycle (in order to get all the services'  
18 meter reads before billing). In this case the Village of Kaslo's accounts are portable, so they  
19 could be consolidated into fewer accounts or onto one master account.

20 To consolidate accounts, a request to the Customer Service contact centre should be made by  
21 the customer, indicating the preferred set up for its accounts, and an account review and  
22 evaluation will be completed with a proposed solution.

23

24

25

26 4.1.2 If yes, what would be the total amount of dollar (\$) savings in Basic  
27 Charges and other fees during a calendar year, that could of course  
28 then be passed on to taxpayers in improved services or property tax  
29 reductions?

30

31 **Response:**

32 There would be no savings in Customer Charges for a customer with consolidated accounts.  
33 Each service on the consolidated account would continue to be charged for that service's  
34 Customer Charge. All customers are required to pay the applicable Customer Charges for the  
35 rate schedules each of their services are on (whether the account has one service or many



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1 services). The Customer Charge recovers a portion of the fixed system costs and customer  
2 service related costs that do not decrease appreciably because there is only one bill being  
3 provided.

4 There may be some administrative savings to the customer when bills are consolidated as  
5 customers would have fewer accounts to manage (sometimes due at different times) and fewer  
6 payments to make.

7 With respect to the final comment included in KSCA IR 1.4.1.2, FBC is not in a position to  
8 comment on what the Village of Kaslo would do if the consolidation of accounts were to result in  
9 any savings to that municipality.

10  
11

12

13 4.1.3 Would there also be a reduction in FortisBC's administrative costs if  
14 there were fewer than 22 separate accounts for the Village of Kaslo?

15

16 **Response:**

17 There would be an initial administrative cost to review the accounts and to move services to a  
18 master account, but there would be minimal administrative cost savings for FBC (with a  
19 consolidated account). Each service (that is part of a consolidated bill) is still handled separately  
20 in the billing system and is considered a separate account or customer, though the billing for all  
21 the services will happen together. The only savings would be in postage, printing and paper bill  
22 stock and envelopes if the accounts being consolidated are not on paperless billing already.

23

24

25

26 4.2 Is FortisBC aware that in 1994/95 West Kootenay Power offered the Village of  
27 Kaslo a two tiered rate for firm production of power from a micro-hydro system  
28 owned and operated to run off the Village's water system?

29

30 **Response:**

31 In its reasons for Order G-62-18, which the Commission issued after the procedural conference  
32 in this proceeding, the Commission stated (Appendix B to Order G-62-18 at p. 9):

33 With regard to the Village of Kaslo and KSCA's requests for FBC to include  
34 consideration of a Micro Standing Offer Program and/or Standing Offer Program

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1 as part of the Application, **the Panel finds these topics relate to FBC’s**  
2 **acquisition of energy and load resource balancing, which are more**  
3 **appropriately addressed in FBC’s Long Term Electric Resource Plan.**  
4 However, given the concerns raised by the Village of Kaslo and its desire to  
5 engage in municipal-level energy distribution, the Panel encourages FBC and the  
6 Village of Kaslo to communicate directly with each other on such matters.  
7 [emphasis in original]

8 In accordance with the Panel’s suggestion, FBC has communicated directly with the Village of  
9 Kaslo on these matters. However, the Panel directed consideration of matters related to a  
10 Micro Standing Offer Program to another proceeding.

11 Whether FBC previously offered a rate related to production of power from a micro-hydro  
12 system is in FBC’s respectful view also outside the scope of this proceeding. FBC does not  
13 propose such a rate in this Application.

14  
15

16

17 4.2.1 Would FortisBC consider offering the Village of Kaslo a firm contract for  
18 purchase of power from a micro-hydro system operated and run off the  
19 Village’s water system similar to the contract offered by BC Hydro to the  
20 Village of Nakusp?

21

22 **Response:**

23 Please refer to the response to KSCA IRs 1.4.2 and 1.4.3.2.

24

25

26

27 4.2.2 Has FortisBC, like BC Hydro, had an ongoing Micro-Standing Offer  
28 program since 2009 that purchases power produced with a nameplate  
29 capacity of between 100 KW and 1 MW?

30

31 **Response:**

32 Please refer to the response to KSCA IRs 1.4.2 and 1.4.3.2.

33

34

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1

2           4.3     Can FortisBC confirm that, unlike BC Hydro who has a firm contract to purchase  
3           electricity from a 1 MW capacity system at 22 different rates averaging 11 cents  
4           per kWh with the City of Kimberley, the company has turned down an offer by the  
5           Village of Slocan to produce and sell power from a micro-hydro system built, and  
6           owned and operated, by the Village?  
7

8     **Response:**

9     Please refer to the response to KSCA IRs 1.4.2 and 1.4.3.2.

10

11

12

13                   4.3.1     If the answer to 4.3 above is affirmed, does FortisBC believe that the  
14                   goals and objectives as stated in section 2 of CEA, namely sections (a),  
15                   (d), (k), (l) and (m), do not apply to the Company?  
16

17     **Response:**

18     A discussion of the applicability of the CEA objectives relevant to the resource acquisition  
19     activities of FBC was provided in the LTERP, Table 1-3.

20

21

22

23                   4.3.2     Since 2007 and the introduction of the BC Energy Plan, how many local  
24                   governments and community organizations has FortisBC partnered with  
25                   in creating Net Metering and Micro-Standing Offer contracts, as BC  
26                   Hydro has done with, for example, Hudson's Hope, who will save  
27                   approximately \$70,000 per year off their electricity bill through Net  
28                   Metering?  
29

30     **Response:**

31     Please refer to the response to KSCA IR 1.4.2.

32     FBC is also not in a position to comment on BC Hydro's arrangements with municipalities or  
33     other organizations or the existence or quantum of any savings that they may achieve.



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4.3.3 How many local government, municipal, regional district and school board direct sale electricity accounts does FortisBC currently have?

**Response:**

FBC does not have a straightforward way to compile this information from the billing system with complete accuracy. The accounts are not categorized or flagged in a manner that would distinguish them from other accounts on a similar rate. In order to be responsive, a review was completed to identify accounts where a municipal designation (town, village, school district, regional district, etc.) appears in the account name.

This analysis yielded a total number of accounts of approximately 1,600.

4.4 Could the Village of Kaslo set up a solar PV farm at the Village-owned airport and use the power so produced to offset the cost of their Street Lighting and other FortisBC accounts, Net Metering the Net Excess Generation (NEG) to the FortisBC grid when production exceeds consumption, and then offsetting consumption at other times to attempt achievement of Net-Zero in accordance with 2 (a) of the CEA?

**Response:**

This question raises a variety of issues that are outside the scope of this proceeding. Please see page 9 of Appendix B to Order G-62-18, where the Panel found the topic of net metering to be out of scope in this proceeding and also found the Village of Kaslo's and KSCA's requests for FBC to include consideration of a Micro Standing Offer Program and/or Standing Offer Program to relate to FBC's acquisition of energy and load resource balancing, which are more appropriately addressed in FBC's LTERP.

While FBC has made efforts where possible to provide background information even in relation to out-of-scope questions, this question raises issues of particular complexity and it is not possible to do so. However, the Village of Kaslo is of course welcome to contact FBC should it wish to discuss plans that it may wish to undertake or consider.

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#### Wheeling Power

4.5 Under “Wholesale Transmission Rates”, EES states at pages 45 and 46 that:

*“At the time, the wholesale transmission tariffs were first developed, they were set as retail wheeling rates for customers that could potentially acquire their power supply from an alternative source and use FortisBC for transmission and distribution delivery service”.*

Further, under Schedule 103 at page 47, EES states:

*“The current rate is \$.000126 for kWh for transmission voltage and \$0.00132 per kWh for primary voltage...Based on NCP demand this would result in a rate of \$0.01699 per KW month, \$.0385 per KW week, \$0.0077 per KW per day and \$0.00031 per KW hour. If you wanted to be consistent with BC Hydro’s format as well as what is proposed for other services, the rate would be \$0.32 per MW of reserved capacity per hour.”*

Am I correct in understanding that the Village of Kaslo could use this rate to set up a Net Metering and/or Micro-Standing Offer Program contract with BC Hydro as an alternative to using the electrical services of FortisBC?

#### **Response:**

FBC notes that in Appendix B to Order G-62-18, the Commission held as follows on p. 9:

The issue of FBC’s net metering program has recently been heard by the Commission (and is currently being heard through the reconsideration process). Accordingly, the Panel agrees with FBC that is not appropriate to revisit this topic in the current proceeding given how recently the Commission has reviewed it. **The Panel therefore finds the topic of Net Metering to be out of scope in this proceeding.**

With regard to the Village of Kaslo and KSCA’s requests for FBC to include consideration of a Micro Standing Offer Program and/or Standing Offer Program as part of the Application, **the Panel finds these topics relate to FBC’s acquisition of energy and load resource balancing, which are more appropriately addressed in FBC’s Long Term Electric Resource Plan.**



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1 FBC is concerned that KSCA IR 1.4.5 may again be trenching on the territory that the  
2 Commission considered to be out of scope, but given the reference in the preamble to the  
3 question to a statement by EES, notes the following.

4 The question is unclear as to how engaging in a Net Metering or Micro Standing Offer Program  
5 (SOP) contract with BC Hydro (presumably to deliver power to BC Hydro as is the intent of  
6 these programs) would serve as an alternative to using the electrical services of FBC.

7 In order to be part of the BC Hydro Micro SOP (and the SOP), projects must be located within  
8 BC Hydro's service area. Projects located in the FBC service area are not eligible for the Micro-  
9 SOP or SOP.

10 Generally, if a customer was able to contract with BC Hydro for the sale of generation, FBC  
11 would facilitate the movement of power to BC Hydro subject to the charges associated with its  
12 Transmission Services tariffs.

13 If the question posits a situation where the Village of Kaslo could take retail supply from BC  
14 Hydro, then this is not possible as the Village of Kaslo is not an Eligible Customer as defined in  
15 FBC's Tariff Supplement 7 (which would provide access to the FBC transmission system to  
16 facilitate such transactions) and there is no other mechanism to allow for this to occur.

17

18

19

20 4.5.1 Or, alternatively, could the Village of Kaslo use this transmission rate to  
21 contract purchase of power produced within the V0G 1M0 portion of the  
22 FortisBC service area that the company does not wish to purchase for  
23 itself?  
24

25 **Response:**

26 Please refer to the response to KSCA IR 1.4.5.

27

28

29

30 4.5.2 If the answer to either 4.5. or 4.5.1. above is no, please state the legal  
31 basis on which FortisBC can refuse to transmit power from or to another  
32 electrical supplier within or outside of its service area.  
33



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1 **Response:**

2 Not applicable. The transmission of power generated by an entity within the FBC service area  
3 to a third party is possible subject to the terms and conditions of all related tariffs, regulations  
4 and legislation. However, please refer to the response to KSCA IR 1.4.5 specifically with  
5 respect to the status of the Village of Kaslo.

6

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1   **5.   Wholesale Discount**

2           5.1    At page 44, under “Wholesale Discount”, EES states:

3                           *“To determine the appropriate discount for transmission, the COSA was changed*  
4                           *to reflect all rate 40 customers as taking service at transmission rather than*  
5                           *primary voltage. This change would reduce the allocated revenue requirement for*  
6                           *the class from 44.2 million to \$36.1 million. This is 18.4% reduction in the*  
7                           *revenue requirement and a 15.9% reduction compared to current rates.”*

8                           Please explain, using the real time data consumption, why these rates do not  
9                           amount to a subsidy for Rate 40 and Rate 41 customer classes?

10

11    **Response:**

12    There is no “real time” data available in this regard as the RS 40 discount has yet to be  
13    approved and no customer has taken service under this provision.

14    Please refer to the response to BCUC IR 1.56.10 for a discussion on the impact to other  
15    customer classes should an RS 40 customer become eligible for the transformation discount.

16



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1   **6.    Schedule 105**

2           At page 47 EES states that: *“If you were to take the average cost of FortisBC’s own*  
3           *generation (capacity portion only) per KW it would result in a comparable charge of*  
4           *\$9.31 per MW per hour”.*

5           Earlier EES states on the same page: *“BC Hydro’s rate is \$6.37 per MW per hour with*  
6           *the same 2% minimum”.*

7           And originally on the same page EES states: *“The current rate is \$13.62 per MWh of*  
8           *generating capacity requested, which must be a minimum of 2% of load’.*

9           6.1    Am I correct in understanding that FortisBC’s per hour KW cost is 9.31 cents,  
10           and that for BC Hydro is 6.37 cents – making the FortisBC rate 46.2% higher  
11           than BC Hydro?

12  
13    **Response:**

14    Yes, this is correct. Please also refer to the responses contained in the BCUC IR 1.70.2 series  
15    for a discussion of how the RS 105 rate was determined and regarding the making of  
16    comparisons to BC Hydro rates. Please refer as well to the response to KSCA IR 1.8.4.1.

17  
18  
19

20           6.2    And am I correct in understanding that the current rate of 13.62 cents KW per  
21           hour, more than double that of BC Hydro, is a direct result of the company having  
22           to purchase half of its power on long and short term contracts and on the open  
23           market?

24  
25    **Response:**

26    The existing rate of \$13.62 per MW was calculated in 1999 and FBC cannot confirm how it was  
27    calculated. Though FBC expects that it is not related to FBC’s long and short term power  
28    contracts, in any event FBC does not believe the original calculation is pertinent to this  
29    Application, as only the proposed rates are at issue. The proposed rate of \$9.31 per MW is  
30    based on providing this service from FBC’s owned generation and therefore is also not related  
31    to FBC’s long and short term power contracts.

32  
33  
34



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1    **7.    Rate Schedule 103 – Scheduling, System Control And Dispatch Service**

2    At 7.4.1 on page 98 of its application the company states:

3    *“Scheduling, System Control and Dispatch Service is required to schedule the*  
4    *movement of power through, out of, within, or into FBC’s service territory. The*  
5    *Transmission Customer must purchase this service if taking supply under RS100,*  
6    *RS101 or RS102. FBC has reviewed the costs associated with this service and has*  
7    *determined that a single rate for all classes of customers is most appropriate as the cost*  
8    *of providing the service is not dependent on the customer class. The existing rate for RS*  
9    *103 is \$0.00126 per kWh. The proposed rate is \$0.00031 per kW of Reserved Capacity*  
10    *per hour. The units are changed from energy to capacity per hour to more closely follow*  
11    *industry practise including the BC Hydro tariff RS 03”.*

12        7.1    Am I correct in understanding that any customer in any class, or a group of  
13        customers within a class, could contract to wheel power within or from without or  
14        to without for the proposed rate of \$0.00031 per KW of “Reserved Capacity” per  
15        hour?

16  
17    **Response:**

18    FBC’s transmission tariff is available to any Eligible Customer as defined in FBC’s Tariff  
19    Supplement No. 7. More specifically, the only customers that would normally be taking service  
20    from FBC that could elect to serve all or a portion of their load in the manner suggested by the  
21    question are those industrial customers served on a Large Commercial - Transmission or  
22    Wholesale rate (the municipal utilities).

23    Note that a “group” of customers would not be eligible.

24    The rate of \$0.00023 per KW for RS 103 is only one of the rates that an Eligible Customer  
25    would be required to pay. Additionally, an Eligible Customer would be required to pay RS 101,  
26    RS 104, and RS 109. The Eligible Customer would be required to purchase from FBC or self-  
27    supply RS 105, RS 107 and RS 108. RS 106 may also apply. Please refer to the response to  
28    ICG IR 1.11.13 for an estimated cost of wheeling under the existing and proposed rates.

29    Note that the rate of \$0.00031 per KW is incorrect. The correct rate should be \$0.00023 per  
30    KW, which is shown on Page 99 and in the summary Table 7-9. FBC will file a replacement  
31    page as part of an Errata, filed concurrently with these IR responses. Please refer also to the  
32    response to BCUC IR 1.68.5.

33

34

35

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1           7.2     Am I correct in understanding that “Reserved Capacity” refers to the number of  
2                   KW that can be reserved to be transmitted on FortisBC’s transmission and  
3                   distribution system?  
4

5     **Response:**

6     While this is correct, as a practical matter schedules are done in 1 MW increments.  
7  
8  
9

10           7.3     Could, for example, two FortisBC customers of different classes purchase the  
11                   right to transfer power one to another using the FortisBC transmission system  
12                   with this rate?  
13

14     **Response:**

15     Please refer to the response to KSCA IR 1.7.1 regarding the wheeling rate. While it is possible  
16     that one customer with surplus generation could sell electricity to another customer under  
17     certain circumstances, the selling of electricity within BC would generally result in the customer  
18     being classified as a public utility under the *Utilities Commission Act*, and therefore may be  
19     subject to Commission regulation. In addition, the receiving customer would have to be an  
20     Eligible Customer for retail access as described in the response to KSCA IR 1.7.1.  
21  
22  
23

24           7.4     Could, for example, a FortisBC customer, or group of FortisBC customers from  
25                   any class, arrange to sell power to BC Hydro and use the FortisBC transmission  
26                   and distribution system to do so?  
27

28     **Response:**

29     An individual customer can use the FBC transmission system to sell power to BC Hydro,  
30     provided that the customer is connected at either primary or transmission voltage, makes  
31     capacity reservations in whole megawatts at a single point of interconnection, and is an Eligible  
32     Customer as defined in FBC’s Tariff Supplement No. 7.  
33



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1    **8.    Alternatives To FortisBC’s Rate Design Proposal For The Residential Class**

2    In the recent FortisBC Inc. Application for Reconsideration and Variance of Order G-199-  
3    16 FBC Net Metering Program Tariff Update hearing, the company vociferously argued  
4    that it had the right to remove a customer who no longer fitted within the correct profile  
5    for a customer in that class, and the Commission, in Order G-63-18, confirms the  
6    company’s position.

7    8.1    Has FortisBC ever considered removing residential customers from the RS 01  
8    rate tariff who consume above 20,000 kWh per year and placing them in the RS  
9    20 Small Commercial tariff class instead, possibly removing those RS 20 Small  
10    Commercial customers who consume less than 20,000 kWh annually and placing  
11    them in the RS 01 rate tariff instead?  
12

13    **Response:**

14    FBC has not considered such a change. Segmentation of customers is less dependant on the  
15    level of consumption than on load profiles. Residential customers above and below 20,000 kWh  
16    exhibit roughly the same load profile, which is different than that of Commercial customers.

17  
18

19

20    8.1.2    Why has FortisBC never placed a cap on the size of annual  
21    consumption allowed in the RS 01 tariff?  
22

23    **Response:**

24    FBC has not placed a cap on the level of consumption for any class of customer. It is unclear  
25    why such a cap would be required and without further information on what such a cap would be  
26    intended to accomplish the Company cannot comment further. Please also refer to the  
27    response to KSCA IR 1.8.1.

28  
29

30

31    8.2    Does a residential customer who buys 1 kWh, buy half the capacity and time to  
32    consume a kWh of a customer who buys 2 kWh, such that a residential customer  
33    who consumes 100 kWh is consuming capacity and time that is 100 times more  
34    than a customer who consumes 1 kWh?  
35



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1 **Response:**

2 The Company consulted with EES to provide the following response.

3 The capacity required for each customer will depend on the hourly load shape of that customer.  
4 A customer using 100 kWh could be using 1 kW in 100 different hours or 100 kW in one hour.  
5 The demand level and associated capacity required to meet that demand will differ based on  
6 how each customer uses power. A customer using 100 kWh will not necessarily require  
7 capacity that is 100 times that of a customer using 1 kWh.

8  
9

10

11 8.2.1 If 8.2. above is an accurate reflection of how residential consumption  
12 works, why not create a single postage stamp rate, without a Basic  
13 Charge, that simply charges a flat rate for each kWh?  
14

15 **Response:**

16 The Company consulted with EES to provide the following response.

17 The premise set out in KSCA IR 1.8.2 is not an accurate reflection of how residential  
18 consumption works, for the reasons set out in the response to that information request.

19 More broadly, because many of the costs associated with providing service are fixed in nature  
20 and not related to the energy use of a customer, it is not appropriate to have an energy charge  
21 without a Basic/Customer Charge.

22  
23

24

25 8.3 In the context of 8.2.1. above, and noting that the Commission has confirmed  
26 that it does not have the jurisdiction to create a low income residential energy  
27 tariff rate, does FortisBC acknowledge that a residential customer household with  
28 an income of less than \$20,000 per annum is going to have fewer discretionary  
29 dollars (\$) to pay a proposed Basic Charge of \$224.34 per annum than a  
30 residential customer household with an income of \$40,000 per annum?  
31

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1 **Response:**

2 In general, low-income customers have fewer discretionary dollars to spend. However, the real  
3 impact of the proposed revenue-neutral increase to the Customer Charge on low-income  
4 customers will depend on their actual annual consumption level, with customers having  
5 relatively low consumption generally experiencing annual bill increases and customers with  
6 higher than average use generally getting a decrease to their annual bills. There will be low-  
7 income customers spread throughout the range of annual consumption. For this reason, FBC  
8 does not view that a revenue-neutral increase to the Customer Charge as necessarily adding to  
9 or reducing the amount of discretionary dollars of a low-income family.

10 Please also refer to the response to BCUC IR 1.6.3.

11

12

13

14

15 8.3.1 Does FortisBC acknowledge that residential customer households, be  
16 they seniors, single persons on social assistance or disability  
17 assistance, and/or low income families in general (1 in 5 children in  
18 Kaslo live below the poverty line) with incomes of less than \$20,000 per  
19 annum, who have to pay \$224.34 per annum just to access the  
20 company's electrical service, are financially challenged by any proposed  
21 rate design that increases the Basic Charge and the current tier 1 rate  
22 above the rate of inflation?

23

24 **Response:**

25 FBC notes that under its proposal, the increase in Customer Charge is revenue neutral,  
26 meaning that the increase in Basic Charge is offset by a decrease in variable charges. In  
27 addition, FBC's proposal includes a transition from the existing tiered rate to a flat rate structure.  
28 As indicated in Table 6-10 of the Application, under FBC's proposal the majority of customers  
29 will experience a bill impact at or below the inflation rate (forecast to be around 2 percent for  
30 2019).

31 One cannot look at any one of the billing components in isolation. As described in the response  
32 to BCUC IR 1.6.3, there is a consumption level above which a customer will be better off despite  
33 the increase in the Customer Charge and the lower energy rate. The amount of consumption is  
34 less than 12,000 kWh per annum. The point does not change on the basis of income.

35 Further, FBC has a credit and collections approach that emphasizes working with customers on  
36 an individual basis to find payment arrangements that work for both the customer and FBC,

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1 regardless of the customer's income level. This approach provides flexibility for payment  
2 arrangements with a focus on maintaining utility service to customers having difficulty with their  
3 utility bills. Depending on the circumstances of the customer and regardless of whether they  
4 may be considered low income or not, FBC may adjust charges where there is flexibility in the  
5 applicable tariff provisions and there is a reasonable basis to do so.

6 Beyond that, the government of BC has various programs that are designed to assist with the  
7 affordability of energy for low income households. Examples of programs specifically designed  
8 for low income residential customers include those run by the Ministry of Social Development  
9 and Poverty Reduction, which consist of crisis assistance programs that specifically help utility  
10 customers.

11

12

13

14 8.3.1.1 Does FortisBC acknowledge that any customer on a fixed  
15 income that is tied to the CPI rate of inflation, or to a lesser  
16 rate of increase, simply has to budget for purchase of fewer  
17 kWh of electricity if the Basic Charge and cost per kWh  
18 increase faster than their household income?

19

20 **Response:**

21 Please refer to the response to KSCA IR 1.8.3.1.

22

23

24

25 8.3.2 Attached is Exhibit 8. In 2017 BC Hydro charged a daily minimum of  
26 18.99 cents per day, Nelson Hydro the equivalent of 25.69 cents per  
27 day and FortisBC 52.75 cents per day. By 2023 FortisBC's Basic  
28 Charge will be at least 61.46 cents per day, which is a huge differential  
29 in the daily Basic Charge between West Kootenay utilities for residential  
30 customers on fixed pension incomes, social assistance and disability  
31 assistance in BC as their income does not vary depending on cost of  
32 living by location and cost of utilities.

33 Would FortisBC consider, instead, a minimum charge equivalent to 5  
34 kWh per day, such that if a customer uses no kWh in a day they still pay  
35 for 5 kWh, if they use 4 kWh per day they still pay for 5 kWh, if they use

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1                                   5 kWh they pay for 5 kWh and if they use 6 kWh they pay for 6 kWh,  
2                                   and so on?

3  
4    **Response:**

5    FBC observes that some of the calculations provided in attachment 8 are incorrect. Under the  
6    Column titled “FBC 2017” the bill calculation for a customer with 2000 kwh should be as follows:

7    1600 kwh \* 0.10117 \$/kwh + 400 \* 0.15617 \$/kwh = \$224.34 which is different than the \$199.05  
8    provided in the table.

9    As a result, all the calculations that fall under this number are also incorrect.

10   Further, FBC also notes that the comparison of BC Hydro’s Basic Charge with FBC’s Customer  
11   Charge (provided as part of the preamble to this question) is not meaningful and was rejected  
12   by the Commission in a previous decision:

13           The Panel does not agree with the submission of Mr. Shadrack that the  
14           difference between BC Hydro’s and FortisBC’s Customer Charges must be  
15           addressed, or, indeed, that it even constitutes an anomaly. The cost structures of  
16           the two utilities are different, which alone could lead to a difference in the  
17           Customer Charge. In any event, how BC Hydro determines its Customer Charge  
18           is not within the scope of this hearing.<sup>6</sup>

19   With regard to using minimum charge instead of Basic Charge FBC provides the following  
20   response:

21   A minimum charge approach as described in the question has no advantage over the Customer  
22   Charge. In addition, the minimum charge approach is less aligned with the cost causation  
23   principle since customers who consume less than the pre-determined threshold in a month shall  
24   pay for the electricity they have not consumed. A Customer Charge is designed to recover a  
25   portion of fixed customer-related costs and not to recover a portion of variable power purchase  
26   costs.

27   FBC also notes that for a minimum charge to be equal to FBC’s current monthly Customer  
28   Charge the threshold should be much higher than 5 kWh assumed in the question (close to 160  
29   kWh per month).

30  
31  
32

---

<sup>6</sup> FortisBC Inc. Residential Inclining Block Rate Decision (January 13, 2012), p. 26.

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1                   8.3.3   Does FortisBC acknowledge that such a rate design would give low  
2                   income residential customers cheaper access to electricity, without  
3                   compromising a “postage stamp” rate design for all residential  
4                   customers, while at the same time sending a clear price signal that the  
5                   more electricity a customer uses the more they will have to pay for that  
6                   electricity as a whole?  
7

8   **Response:**

9   No. FBC does not agree that using a minimum charge approach instead of a Customer Charge  
10 would give low income customers or any other customer cheaper access to electricity,  
11 assuming the minimum charge is designed appropriately. Please refer to the response to KSCA  
12 IR 1.8.3.2.

13  
14

15

16               8.4   Attached is Exhibit 9. How does the proposed FortisBC rate design help this  
17               Kaslo apartment residential electric heat customer deal with the overall cost of  
18               electricity?  
19

20   **Response:**

21   FBC cannot confirm the accuracy of the numbers provided in the table to attachment 9. The  
22 table seems to show a customer who had 6809 kWh consumption charged under the Tier 1 rate  
23 and 3223 kWh consumption under the Tier 2 rate; however, the monthly consumption data  
24 required to check these numbers is not provided.

25   In any event, it seems that the rates used to calculate the annual amounts for the “FortisBC  
26 2017” column do not match the comparable rates for current RCR rate provided under Table 6-  
27 10 of the Application. The correct calculation for comparison with the flat rate at year 5 of the  
28 phase-in period is as follows:

- 29           •   Basic Charge:      $16.05 * 12 = \$192.6$   
30           •   Tier 1:              $6809 * 0.10117 = \$688.86$   
31           •   Tier 2:              $3223 * 0.15617 = \$503.33$   
32           •   GST 5%:          $0.05 * (688.86 + 192.6 + 503.33) = \$69.23$   
33           •   Total (annual):    $192.6 + 688.86 + 503.33 + 69.23 = \$1,454.02$

34   This comparison yields an annual bill difference of approximately \$20 for this customer if the  
35   RCR was eliminated in a single step. As explained on page 73 of the Application, although the

1 average annual bill impacts are less dramatic under the phase-in proposal as opposed to a  
 2 single year return to a flat rate, it is still the case that each year, approximately 75 percent of  
 3 customers will experience an annual bill increase as compared to the rate in effect the previous  
 4 year. FBC observes that in the example provided, the customer has high consumption levels in  
 5 few months of the year which takes its consumption above the threshold (this can be assumed  
 6 from the amount of consumption charged under Tier 1 and Tier 2) and therefore the customer  
 7 will experience significantly higher bills in those months. Under the flat rate structure this  
 8 customer will experience smaller monthly bill variances.

9  
10

11

12 8.4.1 Does FortisBC acknowledge that it is highly problematic for apartment  
 13 dwelling electric heat customers within the company’s service area to  
 14 learn that they would have paid 40.9% less in 2017 if they were  
 15 adjacent BC Hydro customers?  
 16

17 **Response:**

18 FBC is not in agreement with the assertion that apartment dwelling electric heat customers  
 19 within the company’s service area would have paid 40.9 percent less in 2017 if they were  
 20 adjacent BC Hydro customers.

21 The Company notes that a customer in Kaslo that consumed energy in Tier 1 and Tier 2  
 22 quantities such as those identified in KSCA IR 1.8.4 would have differing quantities in Tier 1 and  
 23 Tier 2 in the BC Hydro service area due to the different threshold. The load profile of such a  
 24 customer could, for example appear as follows:

	Feb	Apr	Jun	Aug	Oct	Dec	Annual Total
	3,543	2,297	625	524	860	2,183	10,032
FBC T1	1,600	1,600	625	524	860	1,600	6,809
FBC T2	1,943	697	-	-	-	583	3,223
BCH T1	1,350	1,350	625	524	860	1,350	6,059
BCH T2	2,193	947	-	-	-	833	3,973

25

26 In this case, annual billing under FBC and BC Hydro rates as of April 1, 2018 would be:

	FBC RS01	BC Hydro RS 1101
Tier 1 Consumption (kWh)	6,809	6,059



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Tier 2 Consumption (kWh)	3,223	3,973
Tier 1 Rate (\$/kWh)	0.10117	0.08840
Tier 2 Rate (\$/kWh)	0.15617	0.13260
Customer Charge (\$ annual)	192.60	70.42
Monthly Threshold (kWh)	800	675
Tier 1 Charges	\$688.87	\$535.62
Tier 2 Charges	\$503.34	\$526.82
Customer Charges	\$192.60	\$70.42
RS 1901 Rate Rider		\$56.64
<b>Total</b>	<b>\$1,384.80</b>	<b>\$1,189.49</b>

1

2 The pre-tax difference of \$195.31 represents a percentage change of 16.4 percent.<sup>7</sup>

3 At the current level of rates at FBC and BC Hydro, once a customer exceeds approximately 800  
4 kWh consumption in a single month, the difference between an FBC bill and a BC Hydro bill  
5 levels off at about 11 percent for all consumption levels above that amount.

6 FBC notes that unlike rate setting for BC Hydro, FBC bases its rates solely on its approved  
7 revenue requirement and has not been subject to legislated caps on rate increases, nor has  
8 FBC utilized deferral accounts to hold unrecovered revenues for collection at an undetermined  
9 future date. The rates of FBC are based strictly on the approved cost of providing service in  
10 accordance with typical principles governing regulated utilities.

11 These facts, along with the quoted excerpts from a previous Commission decision contained in  
12 the response to KSCA IR 1.8.3.2, continue to support why direct comparisons between the rates  
13 of the two utilities are not meaningful, should not be considered as the basis for a decision  
14 regarding FBC rates, and in any case and without limiting the above, would be entirely out of  
15 place in a process that examines the allocation of previously approved costs and the setting of  
16 rate structures for one of those utilities.

17

18

19

20

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<sup>7</sup> The bills were compared as though they were a “before and after” scenario. This percentage change is 16.4 percent ((FBC Bills – BC Hydro Bills)/FBC Bills).

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1           8.5     Attached is Exhibit 10. How does the proposed FortisBC rate design help this  
2                     Kaslo passive solar residential electric heat customer deal with the overall cost of  
3                     electricity?  
4

5     **Response:**

6     Whether or not the residential rate design proposal is financially beneficial to an individual  
7     customer depends on the level of consumption and the pattern of consumption through the  
8     year. Customers may also see an advantage in having less bill fluctuation in the amount of bills  
9     through the year.

10    The rate design proposals made in the Application were advanced on the basis of cost  
11    causation and in consideration of other traditional rate design principles. They were not  
12    advanced specifically to help any particular type of customer over another.

13    However, the proposal to phase-in the residential rate changes are specifically designed to ease  
14    annual impacts for those customers that may be negatively impacted.

15

16

17

18

19           8.5.1   Does FortisBC acknowledge that it is highly problematic for a residential  
20                     customer who builds a passive solar designed house and uses electric  
21                     heat to learn that they would have paid 21.1% less in 2017 if they were  
22                     adjacent BC Hydro customers?  
23

24     **Response:**

25     Please refer to the response to KSCA IR 1.8.4.1.

26

27

28

29           8.6     Attached is Exhibit 11. How does the proposed FortisBC rate design help this  
30                     Kaslo tier 1/wood heat residential customer deal with an overall cost of electricity  
31                     that sees their annual bill rise by 17% by 2023?  
32



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1 **Response:**

2 The table provided in attachment 11 shows a customer with 7831 kWh of consumption charged  
3 under Tier 1 and no consumption in any month of the year in Tier 2.

4 It seems that the rates used to calculate the annual amounts for the “FortisBC 2017” column do  
5 not match the comparable rates for current RCR rate provided under Table 6-10 of the  
6 Application. The correct calculation for comparison with flat rate at year five of phase-in period is  
7 as follows:

- 8 • Basic Charge:  $16.05 * 12 = \$192.60$
- 9 • Tier 1:  $6809 * 0.10117 = \$792.26$
- 10 • Tier 2:  $0 * 0.15617 = \$0.00$
- 11 • GST 5%:  $0.05 * (792.26 + 192.6) = \$49.24$
- 12 • Total (annual):  $192.60 + 792.26 + 49.24 = \$1034.10$

13 As explained on page 73 of the Application, under the proposed flat rate structure approximately  
14 75 percent of customers will experience annual bill increases when compared to the existing  
15 rate structure. The customer in the example above has no consumption over the 1600 kWh  
16 threshold. This explains why the customer would experience an annual bill increase compared  
17 to the existing RCR rate structure. The annual pre-tax bill difference between the RCR and the  
18 proposed flat rate would for this customer be approximately \$110 or 11 percent. It is also the  
19 case that this customer may have been provided a benefit since the implementation of the RCR  
20 even if their consumption has remained stable over the period.

21 FBC has proposed a five year phase-in period to smooth out the bill impact on customers in  
22 order to mitigate the possibility of rate shock.

23 Please also refer to the response to KCSA IR 1.8.5.

24  
25

26

27 8.6.1 Does FortisBC acknowledge that it is highly problematic for a tier 1  
28 residential customer to learn that their conservation efforts have come  
29 to nought, and that they would have paid 24.7% less in 2017 if they  
30 were adjacent BC Hydro customers?

31

32 **Response:**

33 Please refer to the responses to KSCA IRs 1.8.4.1 and 1.8.6.

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1 FBC also notes that burning wood for heating purposes instead of using electricity does not  
2 necessarily indicate “conservation efforts” (it indicates a shift from one energy source to another  
3 which may or may not be coupled with conservation efforts) and is not aligned with government  
4 policy for increased electrification.

5 Further, if the customer were taken to have made “conservation efforts”, the comment that they  
6 “have come to nought” also does not necessarily flow. Apart from non-monetary considerations  
7 that the customer may have, monetary impacts are not necessarily as the question may  
8 assume, as reflected even in the scenario addressed in the response to KSCA IR 1.8.6.

9  
10

11

12 8.7 Does FortisBC acknowledge that consistent variances between electric utility  
13 pricing, in the West Kootenay, places home based businesses and micro-  
14 businesses at a considerable competitive disadvantage if the company’s  
15 electrical service rates are continually going higher and higher above the  
16 adjacent BC Hydro and Nelson Hydro rates for the same level of service?  
17

18 **Response:**

19 FBC notes that contrary to what is stated in the question, during the last five years, the average  
20 rate of growth in BC Hydro rates has been higher than the average rate of growth in FBC’s rates  
21 for the same period. Nevertheless, FBC reiterates that as confirmed by the Commission’s  
22 previous decisions, comparing utility rates as advocated by KSCA in the above question is  
23 inappropriate and should be avoided. Please also refer to the response to KSCA IR 1.8.4.1.

24